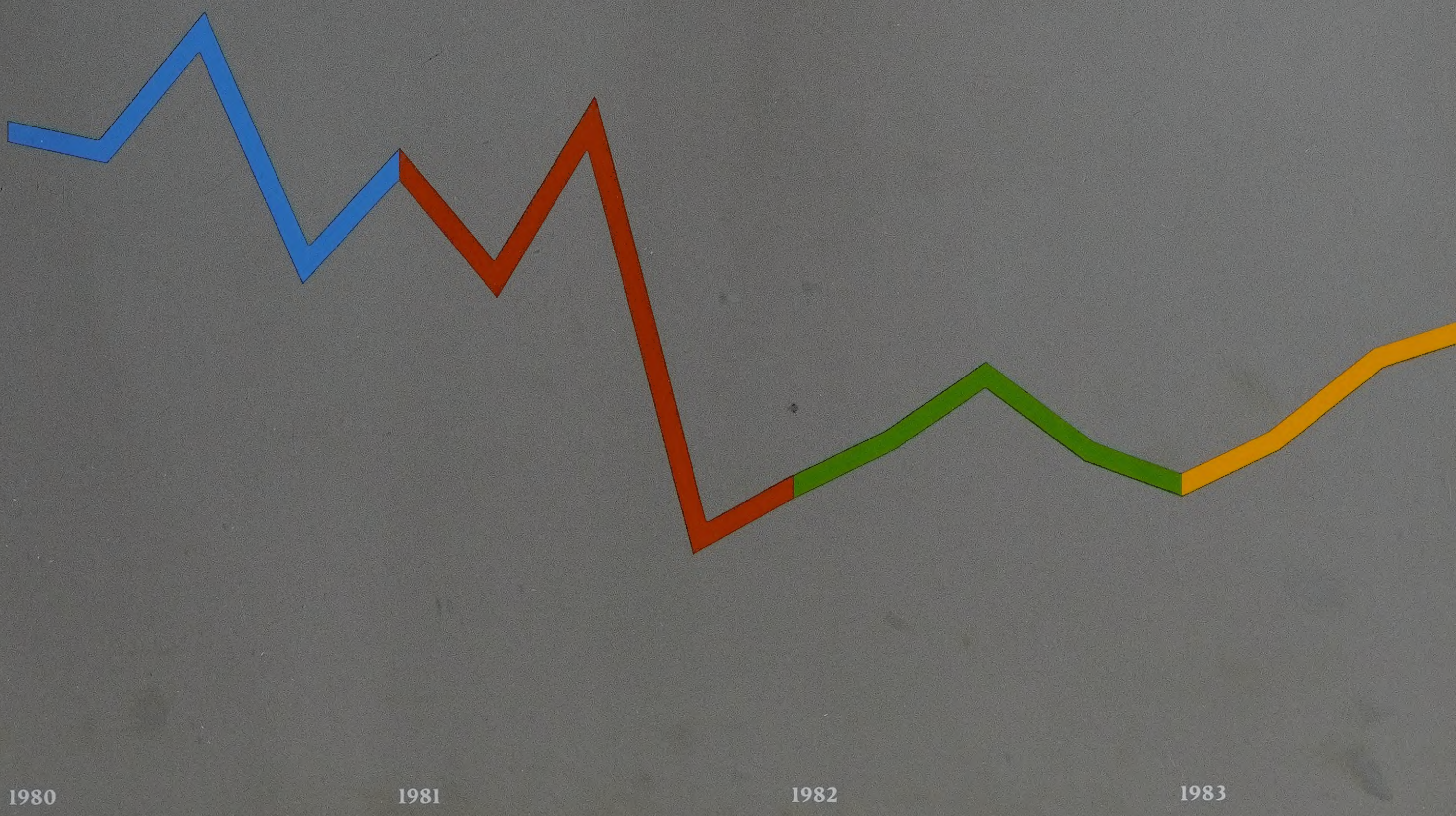
Esso

Imperial Oil Limited
Annual Report 1983

Managing the present: earnings turn around in a difficult year.

Building the future: oil reserves increase, efficiency drive continues, new projects forge ahead.



Imperial Oil Limited

Imperial Oil Limited is Canada's largest energy company and one of the country's largest industrial corporations. It has played a leading role in the Canadian petroleum industry for more than a century.

Imperial's diversified activities are managed by three major operating segments.

Esso Resources Canada Limited, a wholly owned subsidiary located in Calgary, is Canada's largest producer of crude oil, and a significant producer of natural gas and coal. It also explores for base metals and other minerals.

Esso Petroleum Canada, a division of Imperial Oil, manages Imperial's petroleum product operations. It operates five refineries and has the largest share of the Canadian petroleum product market.

The Esso Chemical Canada division is one of Canada's leading chemical producers. It manufactures and distributes a variety of petrochemicals and fertilizers.

Imperial is an affiliate of Exxon Corporation, which owns 69.6 percent of Imperial's shares. Of the company's more than 41,000 shareholders, 37,000 are registered in Canada.

The company was incorporated under the Canada Joint Stock Companies Act, 1877, on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Canada, M5W 1K3. Telephone (416) 968-4111.

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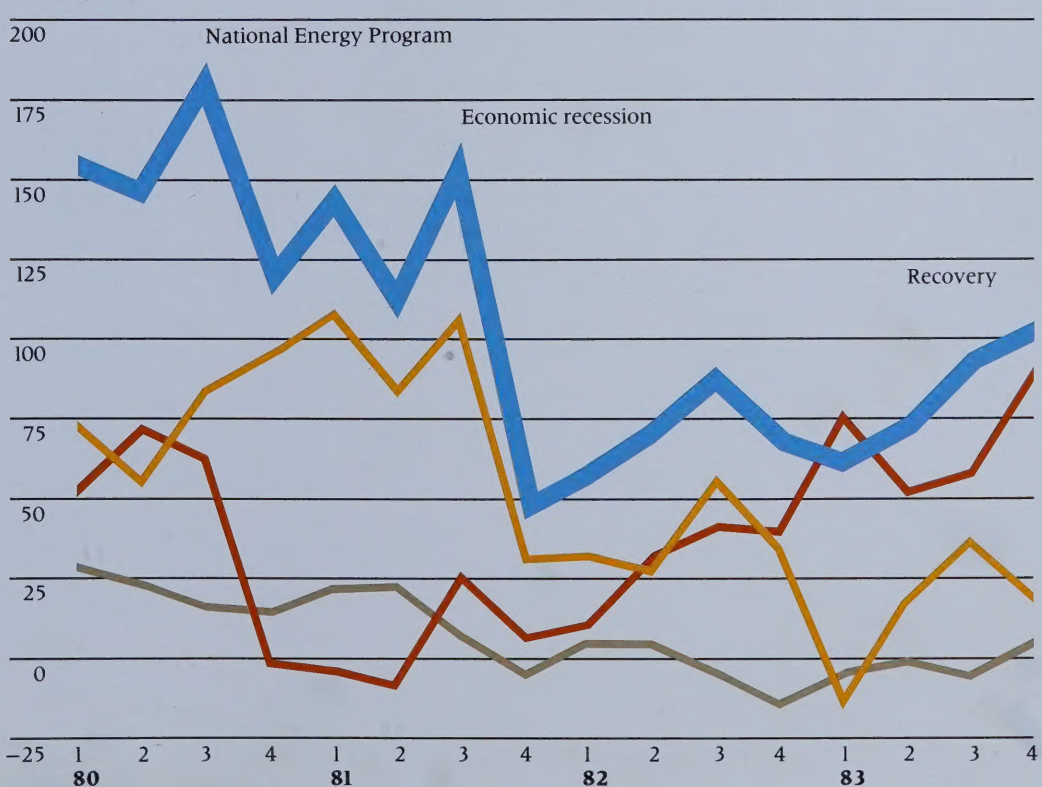
Financial highlights

	1981	1982	**1983**
Earnings			millions of dollars
Earnings from operations	465	289	**332**
Net earnings	465	267	**290**
Return on average			percentages
Capital employed	8.9	5.2	**5.3**
Shareholders' equity	11.9	6.6	**7.0**
Per-share information			dollars
Earnings from operations	2.96	1.84	**2.09**
Net earnings	2.96	1.70	**1.83**
Dividends	1.40	1.40	**1.40**



Earnings from operations by quarter
millions of dollars

- Total earnings from operations
- Natural resources
- Petroleum products
- Chemicals

Message to shareholders

The year 1983 was a watershed for Imperial Oil. We achieved an encouraging reversal of the severe earnings decline of the past two years. Of equal significance, it was a year of solid progress in placing your company on the road to sustained growth.

To see that progress in perspective it's only necessary to glance back over the past few years. No segment of the company's operations escaped the difficult times experienced by our country and our industry.

Following the introduction of the National Energy Program in late 1980, the company's earnings from natural resource operations fell dramatically in 1981. Our remaining business activities were badly affected by other developments, particularly the increasingly depressed international and domestic economies.

Such circumstances called for firm corrective action. We had to change the company's pre-NEP and pre-recession strategies. Our prime objective became one of preserving the company's financial strength by reducing investments, while still preserving a balance that would provide a combination of near-term earnings and long-term growth. Our second objective was to improve immediate earnings by cutting costs throughout our operations.

In natural resources our investment has been concentrated in projects, such as the expansion of the Norman Wells field and additions to the Syncrude plant, that will provide substantial additions to production and to earnings in the relatively near term. At Cold Lake, while a megaproject is clearly beyond our prudent financial means, we have proceeded with commercial heavy-oil development on a manageable phased basis. In the Beaufort Sea, a longer-term prospect, we have maintained our activity, while reducing our investment, by entering into an agreement with a group of other Canadian companies for the exploration of some of our acreage.

In our petroleum product operations we have spared no effort to cut costs and improve efficiency in every aspect of the business. These actions, which included the suspension of our Montreal refinery at the end of 1983, have made us cost-effective in all aspects of our refining and marketing operations. On the other hand we have continued to invest in such critical areas as refinery upgrading and customer service.

In chemicals it made good sense, even in a depressed economy, to complete those investments already well under way. With the completion of these highly efficient plants our major investments in chemicals are behind us for the foreseeable future.

Today it's possible to assess the initial results of the policies that were implemented to respond to the changing environment. The company has weathered two difficult years with its financial strength

Imperial Oil's board of directors consists of four employee and four non-employee directors. Seated in front is Donald K. McIvor, chairman and chief executive officer. Second row (left to right): Arden R. Haynes, president and chief operating officer, Muriel Kovitz, Pierre Des Marais II, J. Bruce Buchanan. Standing (left to right): Thomas H. Thomson, senior vice-president, William A. Macdonald, Q.C., William J. Young, senior vice-president.

intact. In 1983 we were able to achieve a significant turnaround in earnings. Cost reductions resulted in these earnings being about 15 percent higher than they otherwise would have been (a continuation of the program that similarly improved 1982 earnings by 25 percent).

In natural resource operations there were some notable landmarks. Earnings were at an all-time high, proved reserves of oil increased significantly, oil-sands production reached record levels, and work began on commercial production from Cold Lake.

And while our petroleum product and chemical operations both suffered in 1983 from very severe price competition in a slowly recovering economy, cost reductions minimized the effect on our earnings.

In a number of important respects, Imperial is now at a turning point. There are good grounds for believing that the worst is behind us. The significant increases in efficiency we have achieved over the past two years will stand us in good stead for the future. And we are approaching the point where we can see a growing return on the investments we have made in recent years.

For example, commercial production of heavy oil from Cold Lake will begin in 1985, and the same year will see the start of a major increase in oil production from Norman Wells. By then oil production from the Beaufort Sea could well be within striking distance. In an improving economy we can expect higher earnings from our highly efficient petroleum product and chemical operations.

We are, of course, not shed of all uncertainties. We are still vulnerable to the vagaries of international oil prices, economic recovery, petroleum product margins, and energy policy. Therefore we won't relax our efforts, nor forget the hard-learned lessons of the recent past.

We will pursue the policies we have adhered to over the past two years, placing heavy emphasis on efficiency and productivity, encouraging entrepreneurship throughout all levels of the company, and restricting ourselves to investments that will provide for future growth while retaining our financial strength.

We believe that such policies will provide the best solution for continued earnings improvement and long-term growth for your company. Given time, this improvement will result in return on investment reaching a satisfactory level.

The contribution that has been made by all Imperial employees during the past two years has been magnificent. Our company consists of our existing businesses, capital resources, an inventory of new opportunities, and, above all, people. Nothing works without the skill and commitment of employees.

Donald K. McIvor

Donald K. McIvor
Chairman and
chief executive officer

A. R. Haynes

Arden R. Haynes
President and
chief operating officer

Operating earnings increase 15 percent.

Natural resource earnings increase 127 percent.

Proved oil reserves up significantly.

Efficiency measures add about 15 percent to after-tax earnings.

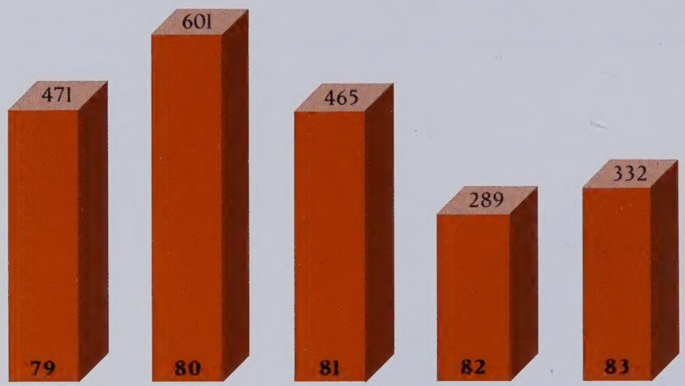
Weak petroleum product and chemical markets improve as year progresses.

Commercial development under way at Cold Lake.

A non-technical overview of Imperial's financial transactions during 1983 is provided overleaf.

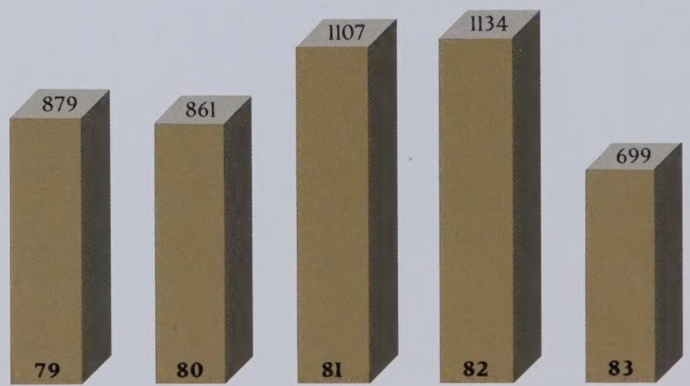
Earnings from operations
millions of dollars

Operating earnings turn around after declines caused by NEP and recession.



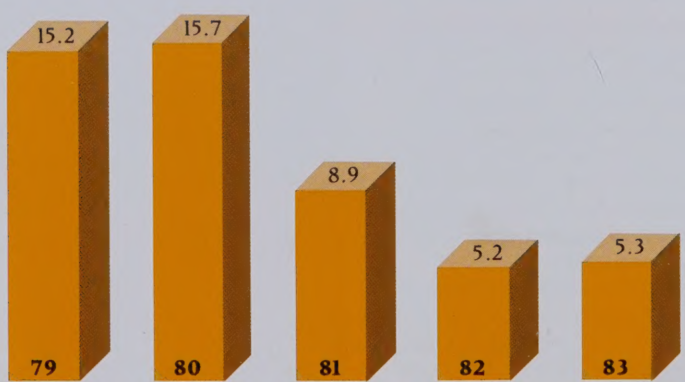
Capital and exploration expenditures
millions of dollars

While capital spending was sharply reduced in response to the economic and fiscal climate, Imperial maintained a substantial level of investment in selected projects.



Return on average capital employed
percentage

Rate of return shows slight improvement but remains unsatisfactory.



Financial statements in annual reports are often difficult for the average reader to follow...

...Such financial statements, of course, are necessary both to satisfy regulatory requirements and to meet the needs of those who require highly detailed summaries of a company's financial transactions and position.

The information presented on this page is intended to provide the shareholder with a non-technical overview of how Imperial acquired its dollars and how they were put to use in 1983. It is not intended to replace the detailed financial statements, which are to be found on pages 25 to 27.

Revenues

In 1983 Imperial's total revenues (that is, the amount of money it took in from all its activities) were $9027 million.

By far the largest source of revenue—$6868 million or 76 percent—was the sale of petroleum products, which include gasoline and heating oil, jet and diesel fuels, heavy fuel oil, and a wide range of lubricants.

Sales of crude oil and natural gas generated revenues of $945 million during the year. A further $897 million came from sales of industrial chemicals, farm fertilizers, and building materials.

Remaining revenues of $317 million came from investments in other enterprises, sales of minerals, and from various other sources.

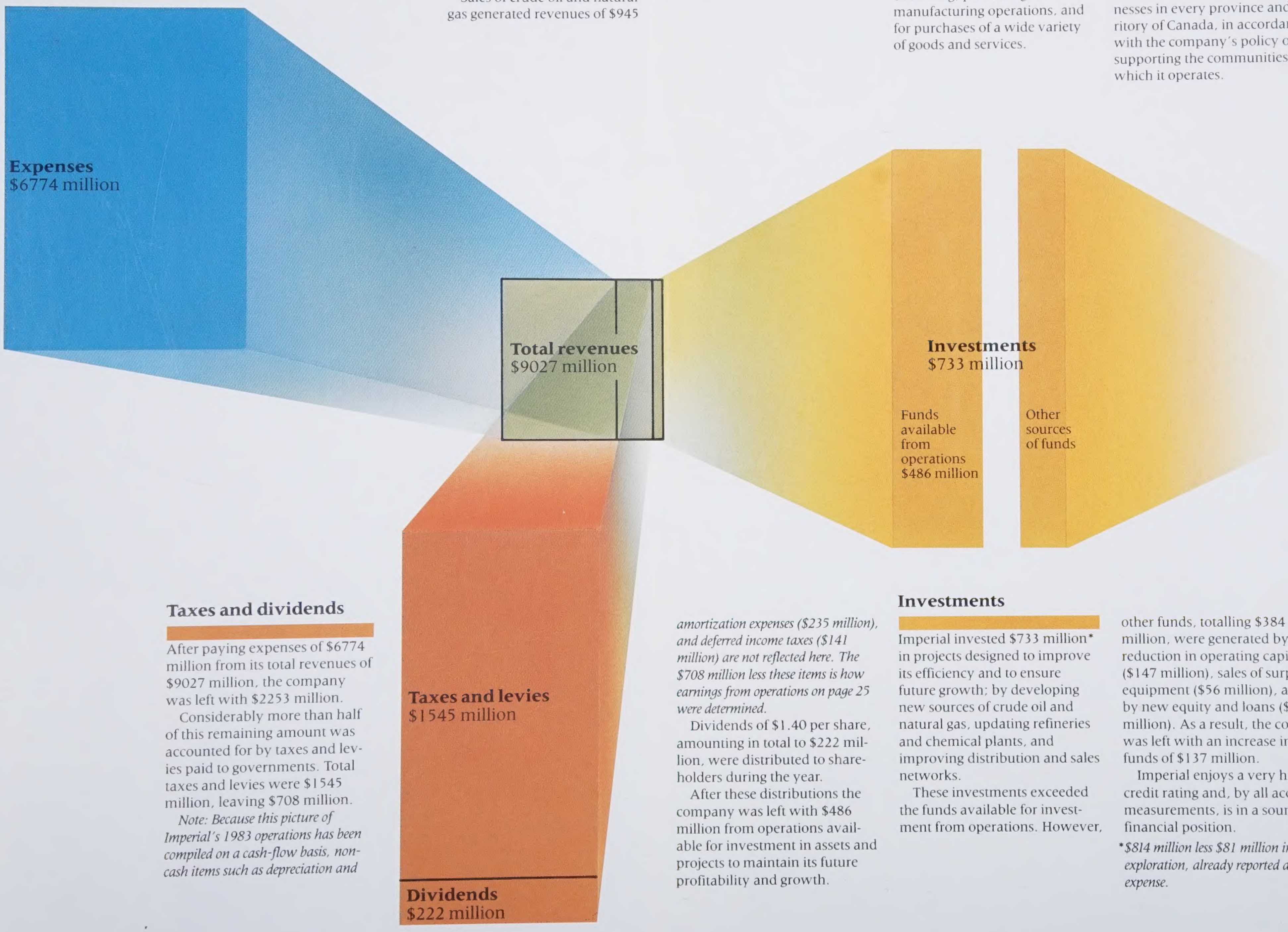
Expenses

In generating revenues from its various activities, Imperial incurred expenses of more than six billion dollars ($6774 million). Most of this amount ($4735 million) was spent on the purchase of crude oil for manufacturing petroleum and other products at Imperial's refineries. Another $1056 million was used for the company's extracting, processing and manufacturing operations, and for purchases of a wide variety of goods and services.

A further $983 million was spent on marketing and distributing petroleum and chemical products and on the running of day-to-day operations.

Included in the company's total expenses was $825 million that went to pay the salaries and benefits of Imperial's nearly 15,000 employees.

Over 90 cents of every dollar spent by Imperial for goods and services went to Canadian businesses in every province and territory of Canada, in accordance with the company's policy of supporting the communities in which it operates.



Taxes and dividends

After paying expenses of $6774 million from its total revenues of $9027 million, the company was left with $2253 million.

Considerably more than half of this remaining amount was accounted for by taxes and levies paid to governments. Total taxes and levies were $1545 million, leaving $708 million.

Note: Because this picture of Imperial's 1983 operations has been compiled on a cash-flow basis, non-cash items such as depreciation and amortization expenses ($235 million), and deferred income taxes ($141 million) are not reflected here. The $708 million less these items is how earnings from operations on page 25 were determined.

Dividends of $1.40 per share, amounting in total to $222 million, were distributed to shareholders during the year.

After these distributions the company was left with $486 million from operations available for investment in assets and projects to maintain its future profitability and growth.

Investments

Imperial invested $733 million* in projects designed to improve its efficiency and to ensure future growth; by developing new sources of crude oil and natural gas, updating refineries and chemical plants, and improving distribution and sales networks.

These investments exceeded the funds available for investment from operations. However, other funds, totalling $384 million, were generated by a reduction in operating capital ($147 million), sales of surplus equipment ($56 million), and by new equity and loans ($181 million). As a result, the company was left with an increase in funds of $137 million.

Imperial enjoys a very high credit rating and, by all accepted measurements, is in a sound financial position.

**$814 million less $81 million in exploration, already reported as an expense.*

Natural resources lead improvement in operating earnings

Imperial Oil's 1983 operating earnings increased to $332 million, from $289 million in 1982. Earnings per share were $2.09, compared to $1.84 the previous year.

Net earnings, including unusual items, were $290 million, up from $267 million in 1982. The items included $76 million charged to earnings earlier in the year for the suspension of operations at the company's Montreal refinery and for the shutdown of an ethylene production unit in Sarnia. That was partially offset by an unusual gain of $34 million in the fourth quarter, resulting from the recognition of a higher book value for the 8.6 million shares of Interprovincial Pipe Line Limited (IPL) the company owns.

The improvement in operating results was attributable to a significant increase in natural resource earnings and to cost reductions in all segments of the company's operation. The increase in natural resource earnings came largely from greater production at Syncrude and the Cold Lake pilot plants.

Earnings from petroleum product operations were down sharply from 1982 because of the intense price competition in gasoline retailing that occurred during the first half of 1983 and continued sporadically into the second half. Second-half earnings from petroleum products were about the same as last year. There was a loss on chemical operations for the second year in succession, although signs of a turnaround appeared during the final quarter of 1983. Additional details on operating results are contained in the three reviews that follow this section and in the financial statements.

Long-term benefits expected from IPL share exchange

An exchange of shares between Interprovincial Pipe Line Limited (IPL) and Hiram Walker Resources Limited (HWR) is expected to result in a higher value for, and improved earnings from, the 8.6 million shares of IPL held by Imperial. The transaction, which Imperial supported, entailed an exchange of 13.6 million shares of HWR for an equal number of IPL shares. As a result, HWR became the largest single shareholder in IPL, which will allow IPL to pursue acquisitions and other business opportunities without requiring the approval of the Foreign Investment Review Agency. Despite its reduced percentage ownership of IPL, Imperial will retain the same number of shares of the company, which will now have considerably greater flexibility to benefit from its sound financial position and management capabilities.

Imperial emerges from recession in good financial shape

The company recognized at an early stage the impact that the deepening recession, combined with sharply higher resource taxation, would have on its earnings and cash flow. It responded quickly by cutting its planned program of capital expenditures and by instituting a wide range of efficiency measures. As a result, Imperial has emerged from the recession with its ability intact to finance attractive major investments such as Norman Wells and the phased development at Cold Lake.

Improved profitability, renewed growth main corporate objectives

To play an effective role for shareholders, employees, lenders and, ultimately, the community at large, Imperial must achieve a satisfactory return on invested capital and related earnings growth. In that regard, 1983's growth in earnings was a positive sign.

However, the company's return on capital employed in 1983 was 5.3 percent—essentially the same as the previous year. That was because Imperial increased the amount of capital employed in its business at about the same rate as its earnings improved. The money was used for a wide range of investments that are aimed at significantly increasing earnings over the short-to-medium term and at bringing the company's return on capital employed to a satisfactory level.

In pursuing earnings growth and an acceptable return on investment, the company's management is guided by a number of principles. Retaining the flexibility to respond to positive or negative changes in the business environment is one of the most important. Preservation of financial strength is another continuing priority. Efficiency improvements have been aimed at creating a low-cost company, an emphasis that will continue. And finally, the company will maintain a flexible organizational structure and an operating attitude that allows the very considerable talent, ability and initiative of its nearly 15,000 employees to be put to the most productive and fulfilling use.

Efficiency and cost-reduction continue throughout the organization

A concentrated efficiency drive throughout the organization increased 1983 earnings by about 15 percent over what they would have been otherwise, after a similar gain of 25 percent in 1982. Productivity improvements were achieved in every segment of the company by rationalizing production facilities and streamlining operating procedures and administrative departments. Staffing levels were also reduced by 744 during the year, bringing the reduction in employees since 1981 to almost 1600. Most of the reduction was carried out through a voluntary program of enhanced early retirement.

Shareholder participation in dividend reinvestment increases

Participation by Class A shareholders in the company's dividend reinvestment option increased to more than 28 percent in 1983. As a result, more than $50 million in new equity capital was made available to Imperial. Shareholders benefit from the program by being able to use their dividends to purchase additional Class A shares at a discount of five percent from an average market price, without commission or administration fees.

Commitment to research continues

Over the years, Imperial Oil has consistently been one of the top corporate researchers in the country. In 1983, the company spent about $74 million on research in Canada, compared to $70 million the previous year. One highlight of the year was the completion, during the final quarter, of a $40-million process and automotive research centre in Sarnia that gives the company unique capabilities in the development and testing of new fuels and lubricants.

Canadian content emphasized in corporate purchasing policies

Imperial has a long-standing policy of encouraging Canadian suppliers to provide the goods and services the company requires. Canadian-content advisors are assigned to all major projects to ensure the highest possible level of Canadian participation. In 1983, that approach resulted in a Canadian content of about 90 percent in three major projects.

Contributions program supports many elements of Canadian society

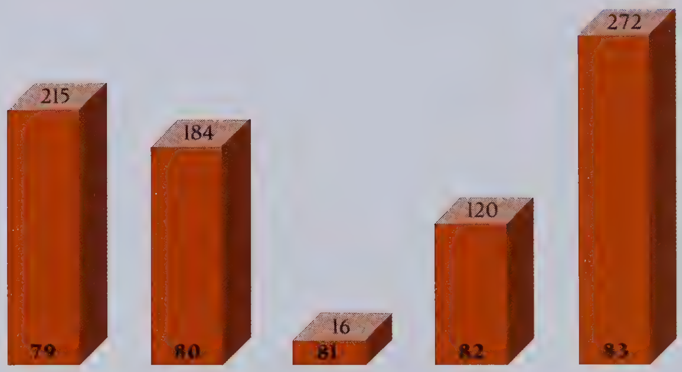
The company made contributions of $6.65 million in 1983 to support educational, health, cultural, charitable and community activities in every region of Canada.

"An encouraging year: natural resource earnings show continued improvement and major investments are under way to provide for future growth."

Robert B. Peterson
President and chief executive officer
Esso Resources Canada Limited

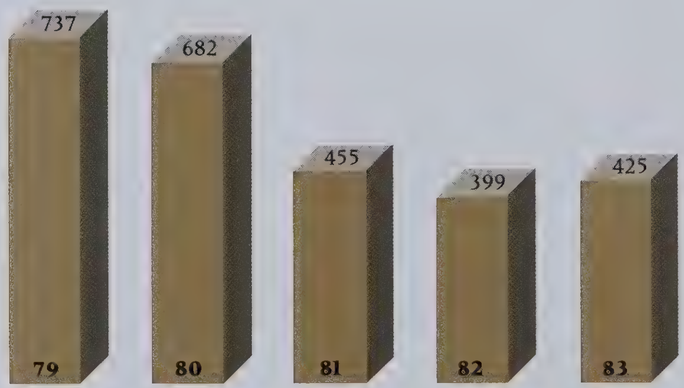
Earnings from operations
millions of dollars

Natural resource earnings rebound to record level.



Capital and exploration expenditures
millions of dollars

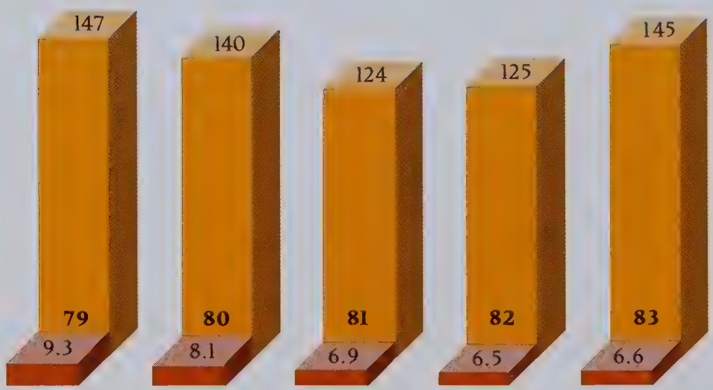
Despite cuts in overall capital spending, natural resource investment increases to expand near-term oil production.



Net reserves and production of crude oil
millions of m^3

■ Net reserves of crude oil
■ Net production of crude oil

Proved oil reserves grow; reserve-to-production ratio increases to 22 years.



Natural resource earnings recover, proved oil reserves increase significantly

Nineteen eighty-three was a year of substantial improvement in the company's natural resource earnings. As well, excellent progress was made toward completing the Norman Wells oil-field expansion and new investments were launched that have resulted in large additions to the company's proved oil reserves.

Operating earnings increased to $272 million, from $120 million in 1982. The main reasons were a significant increase in oil-sands production, continued improvements in operating efficiency, reduced royalty rates, higher oil prices, and reduced losses from mineral operations.

While production of conventional oil from western Canada continued to decline in 1983, production increases at Syncrude and the Cold Lake pilot plants resulted in a slight increase in net crude oil production. This increase was accompanied by cost reductions in all the company's production operations.

Long-standing commitment to heavy oil results in major additions to proved reserves from Cold Lake

During the past two decades, the company has invested several hundred million dollars in research and pilot plants to develop commercial production from Alberta's large oil-sand resources. Now Esso Resources is on the threshold of earning significant returns from its investments, technology developments and operating expertise.

In September, the company announced that agreement had been reached with the governments of Alberta and Canada on conditions that will allow commercial development to begin on its leases at Cold Lake, Alta. Here a phased development approach has been adopted by the company. Each phase will cost about $125 million and will produce 1500 cubic metres (9500 barrels) of bitumen (very heavy oil) a day. Field work on the first two phases began during the final quarter of 1983; about two-thirds of the wells that will be required initially for steam injection and bitumen production were drilled by year end. Completion of these two phases is scheduled for 1985.

The commercial development now under way has added more than 24 million cubic metres of oil (150 million barrels) to the company's 1982 net proved reserves, an increase of approximately 20 percent. Further additions of similar size will result from future phases.

Depending on the availability of markets and future investment conditions, Esso Resources has plans to complete four additional phases at Cold Lake by the end of the decade, which would increase daily production by a further 6000 cubic metres (38,000 barrels).

In addition to the developments at Cold Lake, early in 1984 the company reached agreement with Alberta Energy Company Ltd. for exploration and potential development of oil sands in the Primrose Lake area near Cold Lake.

Record production achieved, major investment program launched at Syncrude

The Syncrude plant achieved record production of 17 760 cubic metres (112,000 barrels) a day in

	1981	1982	**1983**
Financial statistics		millions of dollars	
Earnings	16	120	**272**
Revenues	1255	1426	**1763**
Capital employed at Dec. 31	2046	2174	**2202**
Return on average capital employed (percent)	0.8	5.7	**12.4**
Operating statistics		thousands of m³/d	
Crude oil and natural-gas liquids (NGL) production (net)			
Conventional	12.6	11.6	**10.7**
Syncrude	2.7	2.8	**3.7**
Cold Lake pilots	1.3	1.7	**2.1**
NGL	2.3	1.8	**1.5**
Total crude oil and NGL	18.9	17.9	**18.0**
		millions of m³/d	
Natural gas production (net)	5.4	5.4	**5.2**

1983, an increase of 30 percent over 1982. The company's share of the plant is 25 percent.

Encouraged by a royalty deferral program introduced by the government of Alberta, the Syncrude participants have begun a program to increase the plant's capacity, and to improve efficiency and reliability.

Outstanding progress in Norman Wells expansion

The company is spending about $600 million to expand production from the oil field at Norman Wells, N.W.T., to 4400 cubic metres (27,500 barrels) a day. This very large project is proceeding on schedule for start-up in 1985, with costs running about 25 percent below the original budget.

Nineteen-eighty-three highlights include the completion of four of the six islands that will be used to produce oil from that part of the reservoir lying under the Mackenzie River. In addition, 85 percent of the modules that will be assembled into a plant to process crude oil for shipment by pipeline to Alberta were delivered to Norman Wells from a construction yard in Edmonton.

Esso Resources has also devoted considerable effort to ensuring that the benefits of development at Norman Wells are shared widely by the people of the North. More than $65 million in contracts for goods and services have been placed with northern companies. Nearly half the employment created by the project to date has gone to northern residents.

Advanced techniques proposed for more production from Judy Creek oil field

Most of the larger oil fields in western Canada have been in production for nearly three decades. As more of the original oil is produced, recovering the remainder becomes increasingly costly and technically complex.

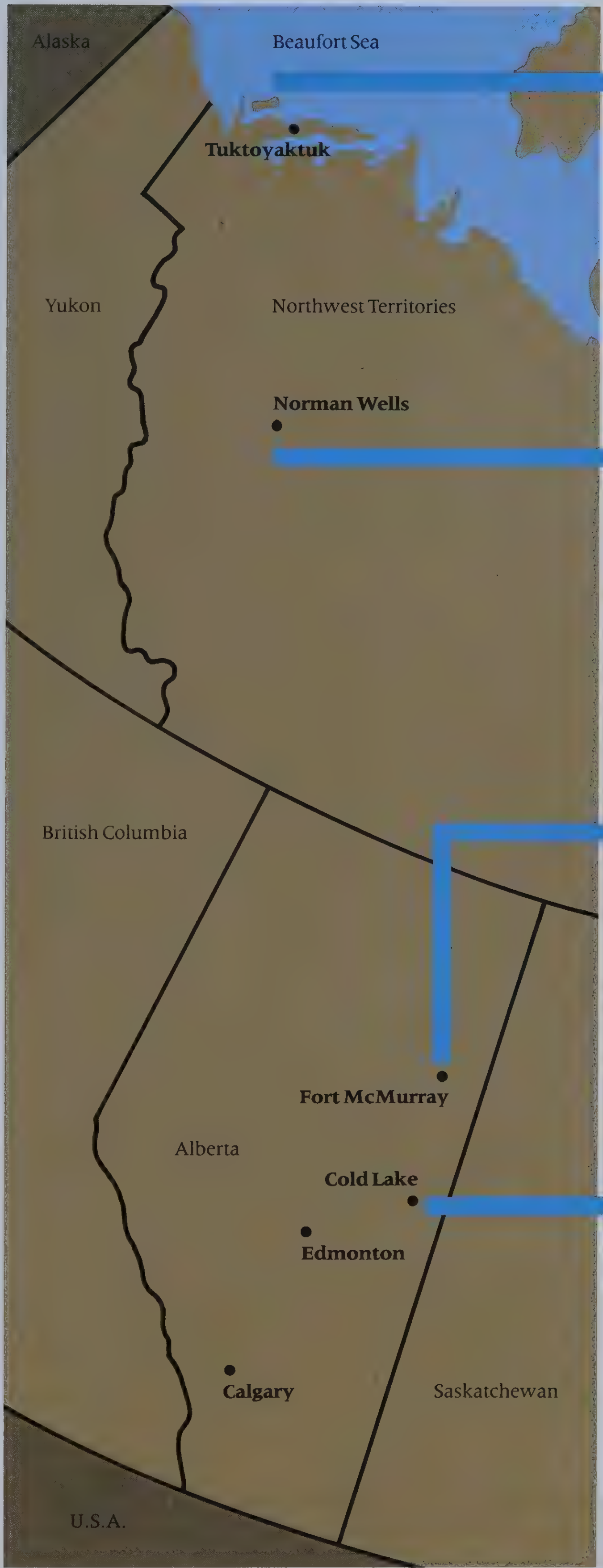
The Judy Creek "A" pool north of Edmonton, 98 percent owned by Esso Resources, has been producing oil since 1959. It's now in a mature stage of production, and the amount of remaining oil that can be recovered by conventional means is limited. However, by using sophisticated techniques known as tertiary recovery, an additional eight million cubic metres (50 million barrels) of oil could be produced from the reservoir. This project has been approved by the Alberta Energy Resources Conservation Board and engineering studies are at an advanced stage. Tertiary recovery at Judy Creek will entail injecting gas liquids such as ethane and propane to sweep more oil from the reservoir. Then, natural gas will be injected to recover a high proportion of the gas liquids.

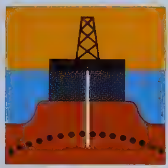
Beaufort farmout proceeding on schedule, results promising

The company has been exploring for oil and gas in the Mackenzie Delta/Beaufort Sea region of the western Arctic since 1964. During that period, the company has made a number of oil and gas discoveries.

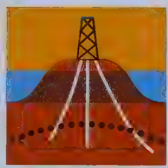
In 1982 the company farmed out essentially all of its Mackenzie/Beaufort acreage (except for its previous oil and gas discoveries) to a group of Canadian companies headed by Home Oil Company Limited. The group will drill a minimum of 13 wells in the region over a five-year period. Esso Resources' share of expenditures will be about 10 percent; its share of any future production will range from 35 to 41 percent.

All aspects of the joint program have been proceeding on schedule. The first well, which was drilled in 1982, discovered oil at West

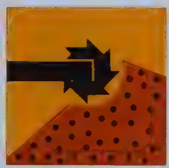




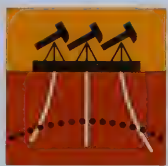
Beaufort
A joint drilling program with a group of Canadian companies is proceeding on schedule in the Mackenzie/Beaufort region. Two of the four wells drilled since 1982—West Atkinson and Itiyok—have discovered oil and gas. A reusable drilling caisson was successfully deployed in September, when drilling began on the Kadluk exploration well.



Norman Wells
This $600-million project will eventually add about 4000 cubic metres (25,000 barrels) a day to the company's conventional oil production, after completion in 1985. The project is proceeding ahead of schedule and well below budget.



Syncrude
Syncrude achieved record production in 1983; the company's share was 4440 cubic metres (28,000 barrels) a day. The Syncrude participants announced plans to spend $1.2 billion between 1983 and 1987 to improve efficiency and increase daily production to about 22 000 cubic metres (138,000 barrels).



Cold Lake
Phased commercial development has begun at the company's Cold Lake oil-sand leases. The first two phases will produce 3000 cubic metres (19,000 barrels) a day of very heavy oil after completion in 1985, and have increased the company's net proved oil reserves by 20 percent.

Atkinson. Three more wells were drilled in 1983–two onshore and one offshore. Itiyok, the offshore well, was an oil and gas discovery. The two onshore wells, Natagnak and Pikiolik, were dry and abandoned.

Reusable caisson successfully deployed

A highlight of 1983 operations was the successful deployment, in September, of a reusable drilling caisson developed by Esso Resources for Beaufort exploration. Kadluk is the first exploration well to be drilled from the caisson; evaluation of the well was expected to be completed in March, 1984. Two rigs were also drilling during early 1984 at the onshore locations of Tuk and Nuna. The latter was dry and abandoned.

Participants sought for Atlantic offshore drilling

Exploration drilling on the company's Flemish Pass acreage, near an earlier industry discovery at Hibernia, is being considered for 1985 or 1986. Because of the high costs of offshore exploration, participation by other companies is being sought.

Search for oil and gas continues in the western provinces

The company continued a modest program of exploration for conventional oil and natural gas in the western provinces, spending $39 million in 1983. A total of 41 wells were drilled or participated in by the company; 12 of them discovered oil, while 12 discovered gas. A further 41 exploratory wells were drilled by others on the company's leases, with Esso Resources retaining a royalty interest.

Coal and base-metal operations hit by depressed market conditions

The company has been exploring for coal deposits since 1971 and has been involved in coal mining since 1981, when it purchased Byron Creek Collieries Limited in southeastern British Columbia.

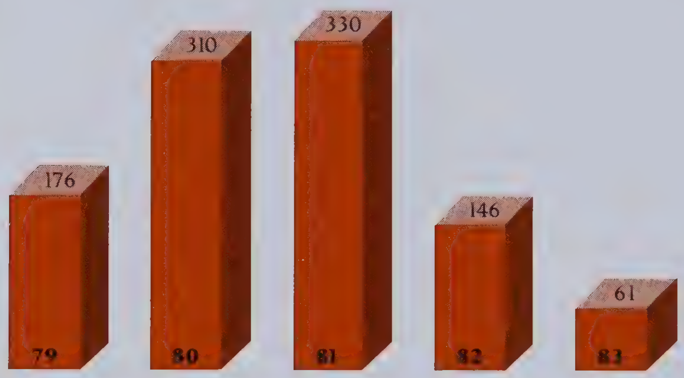
Coal sales in 1983 were affected by depressed international demand and intense price competition. However, the deposits at Byron Creek contain a large quantity of high-quality coal and the company is prepared to proceed with a major expansion at the mine as market conditions warrant.

In mineral production, the company's Granduc copper mine near Stewart, B.C., was the victim of continuing depressed copper prices. As a result, the company announced that the mine will be closed in April, 1984. In 1982 the company wrote down the book value of the mine, which resulted in a charge against after-tax earnings of $40 million, and no further write-down will be necessary.

"A difficult year called for tough decisions. Despite stringent economies, earnings dropped sharply as price competition intensified. Somewhat improved markets produced better second-half results."

Gordon H. Thomson
President
Esso Petroleum Canada

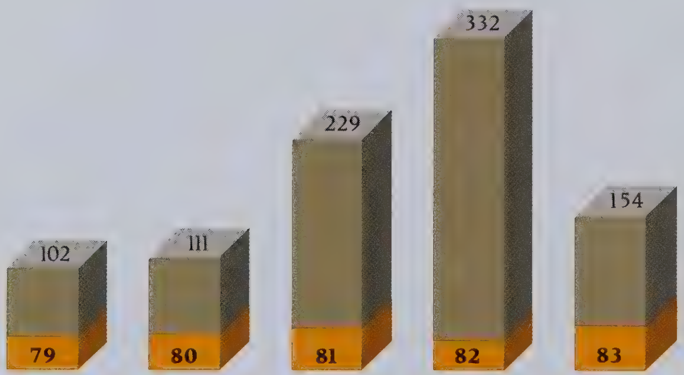
Earnings from operations
millions of dollars



Reduced demand and price wars cut petroleum product earnings sharply.

Capital expenditures
millions of dollars

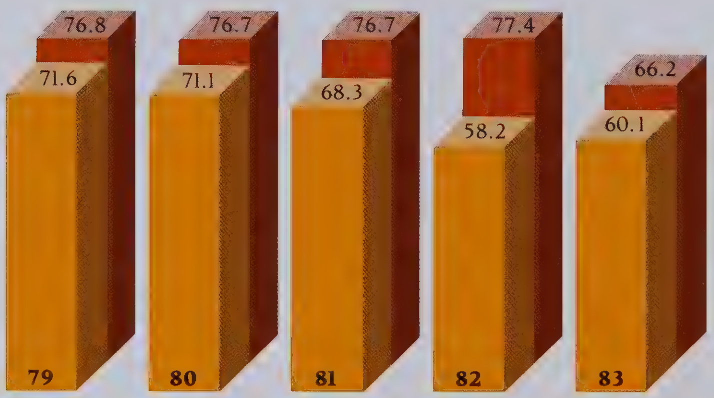
Refining
Marketing



Capital spending reduced from previous highs as efficiency programs are completed.

Refinery capacity and crude oil processed
thousands of m³/d

Refinery capacity at Dec. 31
Crude oil processed



Montreal refinery suspension brings refinery capacity utilization to pre-recession levels.

Lower demand, severe price competition cut petroleum product earnings

The first half of 1983 was a particularly difficult period for the refining and marketing sector of the oil industry.

Much lower demand for most petroleum products resulted in a substantial excess of refining capacity, which led to sustained and severe price competition at both wholesale and retail levels. The company also incurred a loss on inventories, compared with a gain in 1982. Its total sales of petroleum products in 1983 fell by about five percent from the previous year: its domestic market share remained about the same.

As a result of these factors, total earnings from petroleum products suffered a sharp drop for the second successive year, to $61 million, or less than half of 1982's already unsatisfactory results.

The first half of the year was particularly competitive, with gasoline sometimes actually being sold at below cost to retain market share. The continuing decline in demand, and the consequent increase in excess capacity, forced industry to close a number of refineries during the year. As a result, the remaining refineries were able to operate at higher capacity later in the year, with a consequent improvement in efficiency.

The improving economy during the second half also brought some firming in demand for petroleum products. While strong price competition persisted, it was not as severe and profit margins improved.

The outlook for 1984 and beyond is more encouraging. Given a continuing improvement in the economy, demand for the company's products should remain level. Profit margins are expected to improve as supply and demand move into closer balance. Further efficiencies are also planned for the company's refining and marketing operations.

Suspension of Montreal refinery will improve 1984 performance

For the preceding reasons, Imperial also suffered from excess refining capacity in eastern Canada during 1983. As a result it was decided to suspend operations at the Montreal refinery by the end of the year. Given the continued surplus of refining capacity in eastern Canada, with little prospect of a turnaround in demand, operating the refinery at a low capacity rate would have become increasingly uneconomical.

Suspending operations at Montreal will significantly improve the efficiency of the company's refining operations in eastern Canada and establish a good base for cost reductions during 1984 and beyond. At the same time, the company will maintain its strong presence in the Quebec market. Through arrangements with other refiners a full range of Esso products will continue to be manufactured to company specifications and sold in the province of Quebec.

Investments increase efficiency at Sarnia and Strathcona refineries

In keeping with its commitment to maintaining the highest standards of efficiency and safety throughout its refining operations, Imperial continued to invest during 1983 in refinery improvements. At the Sarnia, Ont., refinery, work was completed on a $100 million program

	1981	1982	**1983**
Financial statistics		millions of dollars	
Earnings	330	146	**61**
Revenues	6647	7166	**7372**
Capital employed at Dec. 31	2452	2519	**2552**
Return on average capital employed (percent)	15.6	5.9	**2.4**
Operating statistics			
Sales of petroleum products (thousands of m^3/d)	69.0	64.4	**61.4**
Refinery capacity utilization at Dec. 31 (percent)	89	75	**91**

to permit more grades of crude oil to be processed, and to enable the refinery to produce a wider range of products, according to market demand.

Work was also completed during the year on a major upgrading of the Strathcona refinery in Edmonton. In addition to increasing the refinery's capacity to more than 26 100 cubic metres (164,000 barrels) a day, its efficiency has been significantly improved and it can now manufacture a greater percentage of high-value products.

Organizational changes focus on improved customer service

The major drive to provide better service to Esso customers that was initiated during 1982 continued through 1983. Organizational changes emphasized decentralization and an increased responsiveness to regional concerns. The upgrading of the company's product distribution system, which has been under way for several years, continued during 1983.

Particular attention was paid to the implementation of improvements achievable through the use of the latest communications technology, which has substantially reduced paper work and speeded up retail transactions. Both customers and the company have benefited from the use of such technology. Customers receive faster service and the many internal efficiencies that have resulted include a marked improvement in cash flow.

Additional investment to improve customer service is planned for 1984 and beyond. Over the next four years Esso Petroleum will spend $150 million to modernize its service stations throughout Canada.

Outstanding year for safety

The company's safety record in refining, distribution and marketing operations has been improving steadily since the mid-1970s. Nineteen eighty-three was an outstanding year for safety, with the lowest work-days lost ever recorded.

Government inquiry costs company $8 million

By the end of 1983 it had cost the company $8 million to respond fully to the Restrictive Trade Practices Commission's general inquiry into oil industry activities.

The company has demonstrated throughout the hearings that all allegations brought against it were unfounded, and continues to believe that no evidence has been produced of anti-competitive activity on its part.

The submission of all evidence to the inquiry has now been completed. Written submissions were supported by evidence by senior executives of the company, who appeared as witnesses for about 19 days. Forty to 50 percent of the total costs involved were attributed to company employees directly associated with the inquiry.

The inquiry is scheduled to continue until the end of July, 1984, with a final report expected early in 1985.

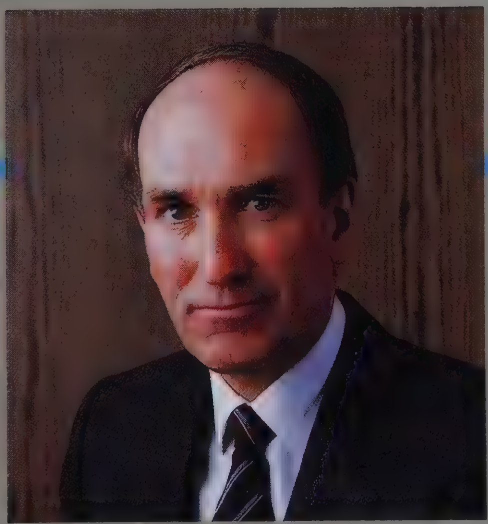
Imperial supports gasoline lead reduction

In March of 1983 the federal minister of the environment announced that the current allowable lead content of gasoline posed a potential health hazard and that a reduction was necessary. In a subsequent brief to the minister, the company supported a reduction in lead content and proposed that, beginning in 1986, the amount of lead in gasoline should be half of current levels. The company supports the new regulations announced early in 1984.

Efficiency stressed in petroleum product operations

The efficiency measures implemented by the company in all phases of its petroleum product operations have played a key role in enabling it to cope with the very difficult environment faced by the industry in 1983. They will also serve the company well in the future, by equipping it not only to deal with a continuation of difficult market conditions but also to derive maximum advantage from any upturn in demand.

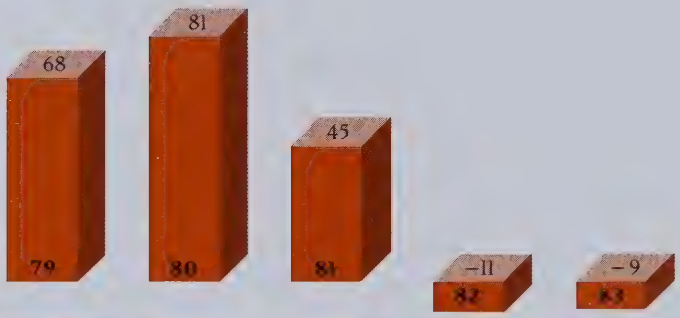
"Efficiency is the key to future profits. With the completion of our major investment program, Esso Chemical is positioned to be the industry's lowest-cost producer."



John E. Akitt
President
Esso Chemical Canada

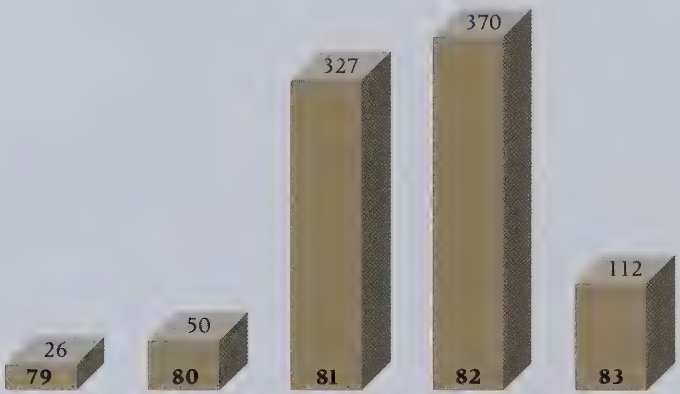
Earnings from operations
millions of dollars

Recession-sensitive chemical operations lose money, but profitability returns in fourth quarter.



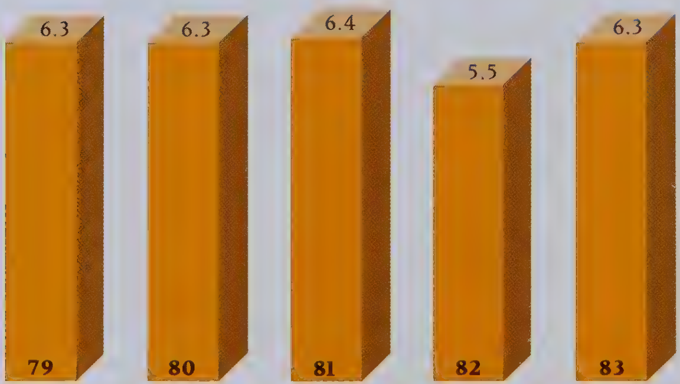
Capital expenditures
millions of dollars

Major program of capital investment, completed in 1983, adds world-competitive plants to chemical operations.



Sales volumes
thousands of tonnes per day

Sales volumes return to historical levels.



Chemical operations incur loss on year but profitability returns in fourth quarter

A combination of reduced earnings and expenses related to the completion of major capital projects in 1983 resulted in a loss for Imperial's chemical operations for the second successive year.

However, there were growing signs toward the end of the year of improving market conditions for the industry, and the company's chemical operations returned to profitability during the fourth quarter.

Petrochemicals benefit from improved economy

The petrochemical segment of the industry benefited from the improvement in overall economic conditions and markets for these products experienced a gradual recovery.

However, even with the improvement in market conditions that occurred during the second half, petrochemical prices are expected to remain low until the large current surplus in production capacity throughout the industry is absorbed.

During 1983 the company brought on stream a world-competitive plant at Sarnia for the production of linear low-density polyethylene resin. Low-density polyethylene is used in the manufacture of packaging film and other plastic products. The company also expanded its Sarnia plant that produces polyvinyl chloride, a plastic resin used in the manufacture of such products as house siding and pipe. In addition, a major investment was completed to improve the efficiency and feedstock flexibility of the Sarnia ethylene unit.

Poor fertilizer markets stage partial recovery by year-end

Fertilizer markets continued to be depressed for most of the year. Although Canadian demand improved somewhat over 1982, prices remained low in the face of a considerable worldwide industry overcapacity. Demand remained sluggish in the United States, a major market for Canadian-produced fertilizer. In addition, a narrowing of the advantage in feedstock prices enjoyed by Canadian producers made it possible for American fertilizer producers to capture some U.S. markets previously supplied by Canadian companies.

The last quarter, however, saw a marked improvement in both domestic and export demand for fertilizer, which was accompanied by some improvement in margins. At the end of the year, the company was operating its new ammonia plant at 110 percent of design capacity and its expanded phosphate plant at nearly 100 percent of capacity. The new urea and older ammonia plants will remain shut down until further improvement in demand occurs. Overall capacity utilization for fertilizer operations was 70 percent.

Having doubled its productive capacity over the past two years, the company now has the largest capacity for nitrogen and phosphate fertilizers in Canada. With its highly efficient plants, the company is therefore in an excellent position to benefit from a sustained upturn in fertilizer demand and prices.

Building Products moves from loss to profit

Building Products of Canada achieved a significant turnaround in profitability during 1983.

	1981	1982	**1983**
Financial statistics	millions of dollars		
Earnings (loss)	45	(11)	**(9)**
Revenues			
Petrochemicals	605	508	**501**
Agricultural chemicals	197	166	**230**
Building materials	191	176	**214**
Total revenues	993	850	**945**
Capital employed at Dec. 31	568	1088	**1183**
Return on average capital employed (percent)	10.6	(1.3)	**(0.8)**
Operating statistics	thousands of tonnes per day		
Sales			
Petrochemicals	3.0	2.5	**2.4**
Agricultural chemicals	2.1	1.8	**2.6**
Building materials	1.3	1.2	**1.3**
Total	6.4	5.5	**6.3**

Improvements in the housing market–combined with operating efficiencies, plant reorganization, and new marketing strategies–were responsible for the strong financial performance.

Major progress achieved in cost efficiency

In light of the intensely competitive environment that excess capacity has caused throughout the chemical industry, efficiency and cost-competitiveness are critical to success. In both these areas the company recorded significant progress.

The new projects that began operation during the year are highly efficient and cost-competitive on an international scale. In fact, the new Redwater ammonia unit is among the most efficient of its kind in the world. Following a highly successful start-up three months ahead of schedule and below budget early in 1983, the unit has shown its capabilities to operate well above design capacity.

Substantial economies were also achieved in chemical operations during 1983 through an ongoing program of plant and product rationalization, improvements in operational efficiency, and the upgrading of Esso Chemical's distribution and sales network. The negotiation of a fertilizer supply agreement with Sherritt Gordon Mines Limited in August and the opening earlier in the year of a new fertilizer distribution and blending facility at Clavet, Sask., were among such efficiency measures. Substantial cost savings also resulted from the closure of the crude-oil-based ethylene production unit at Sarnia, where natural-gas liquids are now used exclusively as a feedstock for ethylene production.

Research makes major contribution to efficiency

An ongoing research and development program, carried out by more than 65 researchers and support staff at Sarnia and Redwater, ensures that the best technology is available to all chemical operating units. For example, application of company-developed technology to the design of the new Redwater ammonia unit enabled a 30 percent reduction in energy consumption to be achieved compared to the original plant.

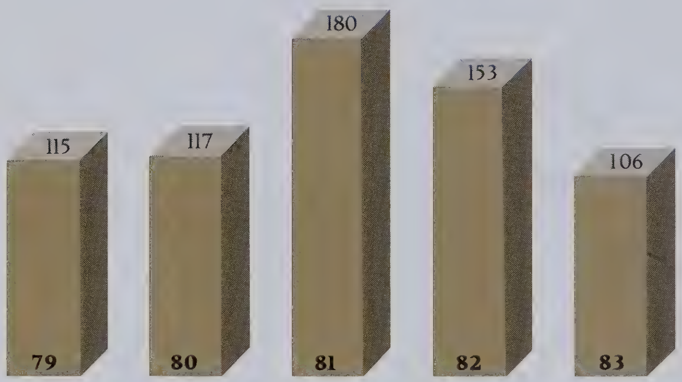
Protection of the environment remained a major concern in chemical operations during the year and significant progress was achieved in the reduction of waste. Esso Chemical also had an outstanding safety record in new plant construction during 1983. Employee health and safety remain top management priorities.

Overall chemicals outlook optimistic

The company's performance in chemicals during 1983 provides solid ground for optimism about the future of this segment of Imperial's business. While a continued recovery in demand for commodity chemicals is likely to be reflected in a progressive improvement in prices, margins can be expected to remain under pressure for some time. Cost efficiencies, therefore, will remain the key to future chemical earnings. Esso Chemical Canada is dedicated to its goal of becoming the most cost-competitive supplier of petrochemicals and fertilizers in North America.

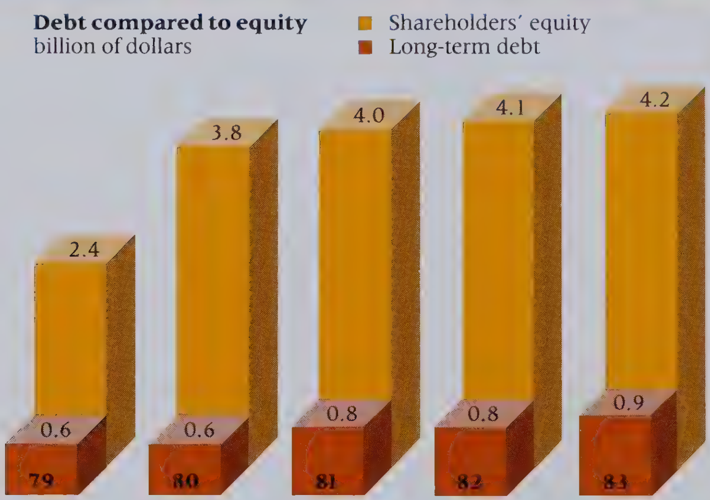
Imperial emerges from recession in a strong financial position, with high liquidity and low debt.

Reinvestment
percentage



Despite investment cuts, Imperial's reinvestment in Canada remains in excess of its internally generated funds.

Debt compared to equity
billion of dollars



Company emerges from recession in strong financial position.

Consolidated statement of earnings

For the years	1981	1982	**1983**
		millions of dollars	
Revenues			
Crude oil (1)	475	559	**760**
Natural gas	193	208	**185**
Petroleum products	6202	6681	**6868**
Chemicals	895	794	**897**
Other operating	233	217	**209**
Interest and investment (2,4)	187	159	**108**
Total revenues	8185	8618	**9027**
Expenses			
Exploration	221	113	**81**
Purchases of crude oil and products (1)	3261	4076	**4735**
Extracting, processing, and manufacturing	1068	1016	**1056**
Marketing and administration	643	763	**781**
Interest (4)	66	115	**121**
Total expenses	5259	6083	**6774**
Revenues net of expenses	2926	2535	**2253**
Depreciation and amortization	244	219	**235**
Earnings before taxes and levies	2682	2316	**2018**
Taxes and levies (11)	2217	2027	**1686**
Earnings from operations	465	289	**332**
Unusual items (3)	–	(22)	**(42)**
Net earnings	465	267	**290**

Per-share information			dollars
Earnings from operations	2.96	1.84	**2.09**
Net earnings	2.96	1.70	**1.83**
Dividends	1.40	1.40	**1.40**

The footnotes referred to on this and the following two pages are found in the "Notes to the financial statements," pages 30 to 35.

Consolidated statement of changes in financial position

For the years	1981	1982	**1983**
	millions of dollars		
Internal funds			
Revenues net of expenses	2926	2535	**2253**
Current taxes and levies (11)	2087	1705	**1545**
Internal funds generated from operations	839	830	**708**
Adjustments for:			
Exploration expense	221	113	**81**
Proceeds from sale of property, plant, and equipment	14	26	**56**
Decrease in operating working capital	–	9	**147**
Internal funds generated	1074	978	**992**
Dividends	220	220	**222**
Net internal funds generated	854	758	**770**
Investment of funds			
Capital and exploration expenditures	1107	1134	**699**
Investments and other assets	13	24	**115**
Increase in operating working capital	420	–	**–**
Total investment of funds	1540	1158	**814**
Excess of investment over net internal funds generated	(686)	(400)	**(44)**
External financing			
Long-term debt and other obligations, net of repayments	331	63	**121**
Capital stock	8	14	**60**
Total external financing	339	77	**181**
Increase (decrease) in funds	(347)	(323)	**137**

Increase (decrease) in funds by component			
Cash	(143)	(11)	**–**
Marketable securities	(3)	(200)	**58**
Short-term loan to Exxon Corporation	(200)	–	**–**
Outstanding cheques, less cash	–	(75)	**44**
Short-term notes	(1)	(37)	**35**
Total increase (decrease) in funds	(347)	(323)	**137**

Consolidated statement of financial position

As at December 31	1982	1983	change
		millions of dollars	
Capital employed			
Working capital			
Current assets			
Marketable securities at cost, which approximates market value	398	**456**	58
Accounts receivable	876	**981**	105
Inventories of crude oil and products	1355	**1388**	33
Materials, supplies, and prepaid expenses	125	**114**	(11)
Total current assets	2754	**2939**	185
Current liabilities			
Outstanding cheques, less cash	75	**31**	(44)
Short-term notes	38	**3**	(35)
Accounts payable and accrued liabilities	861	**971**	110
Amounts owing to Exxon Corporation and affiliates (5)	14	**9**	(5)
Taxes and levies payable	76	**245**	169
Total current liabilities	1064	**1259**	195
Total working capital	1690	**1680**	(10)
Investments and other long-term assets (2)	286	**450**	164
Property, plant, and equipment at cost, less accumulated depreciation and amortization (17)	4446	**4660**	214
Total capital employed	6422	**6790**	368
Sources of capital employed			
Long-term debt and other obligations (5, 6)	1028	**1180**	152
Commitments and contingent liabilities (10)			
Deferred income taxes (12)	1291	**1379**	88
Shareholders' equity			
Capital stock (13, 15)	1190	**1250**	60
Earnings retained and used in the business			
At beginning of year	2866	**2913**	47
Earnings for the year	267	**290**	23
Dividends	(220)	**(222)**	(2)
At end of year	2913	**2981**	68
Total shareholders' equity	4103	**4231**	128
Total from sources of capital employed	6422	**6790**	368

The summary of accounting policies, glossary of terms, and notes are part of the financial statements.

Approved by the board

Donald K. McIvor

Chairman and chief executive officer

A.R. Haynes

President and chief operating officer

Auditors' report

To the Shareholders of Imperial Oil Limited

We have examined the consolidated statements of earnings and changes in financial position of Imperial Oil Limited for each of the three years in the period ended December 31, 1983 and the consolidated statement of financial position as at December 31, 1982 and 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations and changes in financial position of the company for each of the three years in the period ended December 31, 1983 and its financial position as at December 31, 1982 and 1983 in accordance with generally accepted accounting principles consistently applied.

Price Waterhouse

Chartered Accountants
Toronto-Dominion Centre
Toronto, Ontario
February 27, 1984

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies. All intercompany accounts and transactions have been eliminated. A list of subsidiary companies is shown on page 54.

A significant portion of the company's activities in natural resources is conducted jointly with others. The accounts reflect the company's proportionate interest in such activities.

Inventories

Inventories of crude oil and products are recorded at cost, using the first-in, first-out method, which is less than net realizable value. The recorded cost includes the Petroleum Compensation Charge and Canadian Ownership Special Charge.

Amounts received or claimed under the federal government's compensation programs are deducted from the cost of purchasing crude oil and products.

Materials and supplies are recorded at the lower of cost and net realizable value.

Investments

The principal investments in companies other than subsidiaries are accounted for using the equity method. Imperial's share of the net assets of these companies is recorded in the consolidated statement of financial position as "Investments". Its share of their earnings after income taxes is included in the consolidated statement of earnings under the revenue line "Interest and investment".

Other investments are recorded at cost and income from them is recorded only as dividends are declared.

The ownership percentages of Imperial's principal investments are shown on page 54. The amount at which all investments are recorded is shown in note 2 on page 30.

Property, plant, and equipment

Property, plant, and equipment, including related preoperational costs and design costs of major projects, are recorded at cost and so carried until sold or otherwise disposed of.

The company follows the successful-efforts method of accounting for costs of exploration and development activities. Costs of exploration acreage are capitalized and amortized over the period of exploration or

until a discovery is made. Costs of exploratory wells are capitalized until their economic status has been evaluated. Costs of exploratory wells found to be dry during the year or before the issuance of these financial statements are charged against earnings. All other exploration costs are charged against earnings as incurred. All costs of development wells and successful exploration wells are capitalized.

The costs of maintenance and repairs are charged to operating expenses. Improvements that increase the service capacity of an asset or prolong its service life beyond that contemplated in the established rates of depreciation are capitalized.

Investment tax credits are reported as a reduction of the capitalized costs of the asset to which they apply.

Depreciation of plant and equipment is calculated using the straight-line method, based on the estimated service life of the asset. Amortization of the costs of capitalized producing wells and leases, of the capitalized costs of the Syncrude project and Cold Lake pilot plants, and of operating mines are calculated using the unit-of-production method.

Gains or losses on assets sold or otherwise disposed of are included in the consolidated statement of earnings.

Retirement plans

The company's pension plans cover substantially all employees. Pension benefit obligations are determined annually by independent actuaries using the projected unit credit method. Valuation of assets is generally based on market values at Dec. 31 of each year. The amount funded is charged to expense and is established according to accepted actuarial procedures.

Consumer taxes and Crown royalties

Taxes levied on the consumer and collected by the company are excluded from the consolidated statement of earnings. These are primarily provincial taxes on motor fuels and the federal tax on exports of crude oil and petroleum products. Crown royalties are also excluded from the consolidated statement of earnings.

Translation of foreign currencies

Long-term monetary liabilities payable in foreign currencies have been translated at the rates of exchange prevailing on Dec. 31. Exchange gains and losses arising on translation of long-term debt are amortized over the remaining term of the debt.

Taxes and levies: taxes are income taxes, both current and deferred; revenue taxes, which comprise the Petroleum and Gas Revenue Tax and the Incremental Oil Revenue Tax; and commodity, property, and other taxes, which include the special gasoline excise tax and the federal sales tax. Levies are the Petroleum Compensation Charge and the Canadian Ownership Special Charge.

Funds: cash, marketable securities, and short-term loans, reduced by outstanding cheques, less cash and short-term notes.

Internal funds generated from operations: earnings from operations adjusted for those items that do not involve cash.

Operating working capital: working capital less funds.

Revenues net of expenses: net revenues before depreciation and amortization and taxes and levies reported on the consolidated statement of earnings.

1. Crude-oil revenues

The company supplements its own production to meet its refining needs by buying crude oil and selling any unused quantities. Those purchases and sales, amounting to $1253 million in 1983, are excluded from reported revenues and purchases (1982-$987 million; 1981-$742 million).

2. Investments and other long-term assets

Investments are primarily in companies engaged in pipeline transportation of crude oil and petroleum products.

Investments	1981	1982	**1983**
		millions of dollars	
At equity value			
With quoted market value of			
$135 million at Dec. 31	90		
$207 million at Dec. 31		98	
$287 million at Dec. 31			**149**
Without quoted market value	20	21	**22**
At cost	1	2	**5**
Total investments	111	121	**176**
Long-term receivables	59	108	**173**
Other long-term assets	33	57	**101**
Total investments and other long-term assets	203	286	**450**
Income from investments			
Earnings after income taxes	22	28	**37**
Dividends received	17	17	**19**

3. Unusual items

	1981	1982	**1983**
		millions of dollars	
Cold Lake megaproject	–	18	–
Granduc mine	–	(40)	–
Montreal refinery	–	–	**(70)**
Sarnia ethylene unit	–	–	**(6)**
Interprovincial Pipe Line Limited	–	–	**34**
	–	(22)	**(42)**

Cold Lake megaproject–$40 million was advanced by the federal government in 1981 relating to the Cold Lake megaproject. In 1982 under the terms of the agreement, the advance was not required to be repaid due to the suspension of the megaproject. As a result, earnings increased by $18 million after related shutdown costs and income taxes.

Granduc mine–After a re-evaluation of the mine's economically recoverable copper reserves, the company wrote the mine assets down to net realizable value resulting in a one-time charge to earnings of $40 million net of income taxes of $26 million.

Montreal refinery–The company suspended operations at its Montreal refinery in order to improve the overall efficiency of its refinery network. The write-down of the refinery assets and suspension costs resulted in a one-time charge to earnings of $70 million after income tax credits of $63 million.

Sarnia ethylene unit–The company suspended operations at one of its two ethylene producing units at the Sarnia chemical plant, due to surplus production capacity. The unit's assets have been written down, resulting in a one-time charge to earnings of $6 million after income taxes of $4 million.

Interprovincial Pipe Line Limited (IPL)–IPL issued 13.6 million common shares to Hiram Walker Resources Limited (HWR) in exchange for 13.6 million shares of HWR. While Imperial retained ownership of 8.597 million common shares of IPL, the company's share ownership changed from 33 percent to 22 percent of the enlarged IPL. As a result of the transaction, Imperial's equity investment in IPL was adjusted to reflect its new proportionate ownership in IPL's increased book value as demonstrated by the share exchange, over the prior carrying value. This adjustment resulted in a non-cash gain of $34 million. There was no income tax effect.

4. Interest

	1981	1982	1983
		millions of dollars	
Interest income	141	99	**47**
Interest expense			
Long-term debt	56	92	**101**
Short-term notes	3	6	**2**
Capitalized leases	7	11	**14**
Other	–	6	**4**
Total interest expense	66	115	**121**

5. Transactions with Exxon Corporation and affiliated companies (Exxon)

The net amount incurred by Imperial on transactions with Exxon was $224 million in the year (1982–$8 million; 1981-$518 million). The terms of the transactions were competitive or as favourable as they would have been with unrelated parties. The transactions were to maintain supplies of crude oil, petroleum and petrochemical products to customers. Transportation, technical and engineering services are also performed and received. "Other obligations", reported in note 6, include $6 million due to Exxon at Dec. 31, 1983 (1982-$12 million; 1981–$18 million).

In 1983, Exxon acquired 1,195,811 shares under the company's Dividend Reinvestment and Share Purchase Plan described further in note 13 (1982–223,206 shares). Exxon's ownership interest in Imperial remains at 69.6 percent.

6. Long-term debt, other obligations, and financing

Debentures			1982	1983
year of issue	maturity date	rate of interest	millions of dollars	
1967	Jan. 2, 1987	6¾	17	**15**
1968	Jan. 2, 1988	7⅜	21	**18**
1969	Aug. 15, 1989	8½	12	**11**
1972	Feb. 15, 1992	7¾	28	**27**
1974	Aug. 15, 1994	10⅝	78	**74**
1975	Feb. 15, 1995	9¾	84	**78**
1979	Sept. 15, 2009 (U.S.$ 250 million)	9¾	307	**311**
1981	Dec. 1, 2011 (U.S.$ 200 million)	15½	246	**249**
Sinking-fund debentures			793	**783**
1983	Mar. 31, 1993	12	–	**125**
Total long-term debt (a)			793	**908**
Capitalized leases (a, b)			105	**103**
Other obligations (c)			130	**169**
Total long-term debt and other obligations			1028	**1180**

(a) Payments of principal required during the next five years for

	Sinking-fund debentures	Capitalized leases
		millions of dollars
1984	1	10
1985	13	10
1986	19	10
1987	26	6
1988	26	5

(b) Imputed interest on capitalized leases is $60 million for the next five years and $191 million over the life of the leases.

(c) Other obligations at Dec. 31, 1983, include $76 million (1982–$65 million) related to take-or-pay gas contracts.

Unused lines of credit with major Canadian banks totalled $443 million as at Dec. 31, 1983 (1982–$411 million).

7. Long-term incentive compensation plan

Monetary awards are granted to attract and retain promising employees and reward them for high performance. The amounts of the awards are based on increases over time in the price of Class A convertible shares or earnings per share, whichever is greater. Awards are not eligible for payments at the time they are granted but are deferred for periods of up to six years in accordance with the type of award.

Estimated costs of the plan are amortized over its life. In 1983, the company charged $17 million to earnings (1982–$17 million; 1981–$13 million).

8. Research and development costs

Research and development costs in 1983 were $60 million (1982–$65 million; 1981–$67 million) before investment tax credits earned on these expenditures of $5 million (1982–$5 million; 1981–$6 million). The net costs were charged to expenses.

9. Changes in format

The format for the consolidated statements of earnings and changes in financial position has been modified to further improve the presentation and the readers' understanding of the relationship between these two statements for 1983, 1982, and 1981.

10. Commitments and contingent liabilities

The future liability for long-term contractual obligations and commitments, all arising in the normal course of business, is not significant to the company's consolidated financial position. The largest current purchase commitments relate to the Norman Wells expansion project in the Northwest Territories. The estimated project cost is $600 million of which $351 million had been spent by Dec. 31, 1983. Purchase commitments for this project total $78 million in 1984 and $3 million in 1985.

Lawsuits pending against the company would not, in the opinion of counsel, result in any financial liability having a significant effect on the company's consolidated financial position and earnings.

11. Taxes and levies

	1981	1982	**1983**
		millions of dollars	
Income taxes			
Current	344	62	**279**
Deferred	130	322	**141**
Revenue taxes			
Petroleum and Gas Revenue Tax	91	154	**170**
Incremental Oil Revenue Tax	–	21	–
Commodity, property, and other taxes			
Federal sales tax	311	340	**307**
Special gasoline excise tax	121	113	**106**
Property and other taxes	86	101	**91**
Levies			
Petroleum Compensation Charge	908	765	**449**
Canadian Ownership Special Charge	113	149	**143**
Special Compensation Charge	113	–	–
Total taxes and levies	2217	2027	**1686**
Less: deferred income taxes	130	322	**141**
Current taxes and levies	2087	1705	**1545**

The operations of the company are complex and the related income and other tax interpretations, regulations, and legislation are continually changing. As a result, there are usually some tax matters in question. The company believes the provision made for income and other taxes is adequate.

Summary of income-tax calculations	1981	1982	1983
		millions of dollars	
Earnings before taxes and levies	2682	2316	**2018**
Deduct:			
Taxes and levies, other than income taxes	1743	1643	**1266**
Equity companies' earnings	22	28	**37**
Adjusted earnings	917	645	**715**
Basic corporate tax rate (percent)	50.3	49.5	**49.5**
Income taxes at basic rate	461	319	**354**
Add income taxes on:			
Petroleum and Gas Revenue Tax, Incremental Oil Revenue Tax, Crown royalties, and other similar non-deductible payments to governments	218	222	**234**
	679	541	**588**
Deduct income taxes on:			
Resource allowance	99	104	**126**
Depletion allowance	52	17	**22**
Manufacturing and processing credit	26	4	**(2)**
Inventory allowance	15	23	**19**
Other	13	9	**3**
Income taxes	474	384	**420**
Effective income-tax rate (percent)	51.7	59.5	**58.7**
Increases (decreases) in deferred income taxes resulting from timing differences:			
Capital cost allowance	128	226	**113**
Successful drilling	92	26	**37**
Land-acquisition costs	1	(4)	**(13)**
Drilling in progress	(81)	–	**–**
Depletion	(10)	56	**18**
Provincial royalty rebates	–	31	**–**
Other	–	(13)	**(14)**
Net increase in deferred income taxes	130	322	**141**
Current income taxes	344	62	**279**

This summary does not include income taxes on the unusual items reported in 1982 and 1983.

12. Deferred income taxes

The company complies with income tax laws and pays income taxes when due. Deferred income taxes are not a tax liability under the law. They result from differences when calculating income taxes under legislated treatment and under conventional accounting treatment of certain revenues and expenses. The major difference results from the substitution of allowances for capital costs–the rates of which are set by legislation–for depreciation expenses.

13. Capital stock

Number of shares			
Authorized (Class A and B)	200 000 000		
Issued:	Class A	Class B	Total
Dec. 31, 1981	151 899 810	5 282 019	157 181 829
Dec. 31, 1982	152 833 456	4 926 982	157 760 438
Dec. 31, 1983	156 157 528	3 432 194	159 589 722

Both Class A and Class B shares have voting privileges, are convertible on a share-for-share basis, and rank equally in all other respects. Holders of Class B shares receive a stock dividend of Class B shares with values substantially equivalent to the cash dividend on Class A shares.

In 1983, the company increased its authorized capital to 200 million from 160 million Class A and Class B convertible shares.

During 1983, the company paid stock dividends totalling 170,341 Class B shares (1982–294,392; 1981–223,344) and charged $6 million to dividends (1982–$7 million; 1981–$7 million).

In October, 1982, the company introduced its Dividend Reinvestment and Share Purchase Plan. The plan enables shareholders to reinvest their cash dividends in additional Class A shares at five percent less than an average market price. Shareholders may also invest between $50 and $5000 per calendar quarter in additional Class A or Class B shares at an average market price, without paying brokerage or other fees. In 1983, $52 million was invested in 1,571,313 shares of capital stock under the terms of the plan (1982–$7 million was invested in 281,557 shares).

Earnings per share are calculated on the monthly weighted average number of shares outstanding during the year.

14. Business segments

	Natural resources			Petroleum products			Chemicals		
	1981	1982	**1983**	1981	1982	**1983**	1981	1982	**1983**
								millions of dollars	
Revenues									
Sales to customers	682	800	**980**	6380	6865	**7054**	947	807	**899**
Intersegment sales(a)	573	626	**783**	267	301	**318**	46	43	**46**
Total revenues	1255	1426	**1763**	6647	7166	**7372**	993	850	**945**
Earnings before taxes and levies	264	629	**878**	2207	1651	**1147**	89	(15)	**(10)**
Taxes and levies	248	509	**606**	1877	1505	**1086**	44	(4)	**(1)**
Earnings from operations	16	120	**272**	330	146	**61**	45	(11)	**(9)**
Capital employed									
Segment assets	2357	2519	**2634**	3222	3304	**3381**	696	1046	**1141**
Less current liabilities	311	345	**432**	770	785	**829**	128	(42)	**(42)**
Total capital employed	2046	2174	**2202**	2452	2519	**2552**	568	1088	**1183**
Depreciation and amortization	150	124	**124**	71	75	**81**	18	15	**31**
Capital and exploration expenditures	455	399	**425**	229	332	**154**	327	370	**112**

(a) In the consolidated figures reported here, all intersegment transactions have been eliminated. The company operates its business in the segments described in the "Operating reviews". The information in the table above is presented as though each segment were a separate business activity. Intersegment sales are made substantially at prevailing market prices.

15. Stock options

Under a plan for certain employees, options for the purchase of Class A or B convertible shares are still outstanding. No further options may be granted under this plan. All remaining options expire on July 15, 1984.

As of Dec. 31, 1983, there were outstanding options to purchase 86,070 shares (Dec. 31, 1982–363,070) at a price of $25.20 (Dec. 31, 1982–$25.20 to $38.14). Included are 10,060 shares under options to directors and officers (Dec. 31, 1982–61,810). When the options were granted, fair market value per share ranged from $28.00 to $42.375. All options may now be exercised.

In 1983, options were exercised purchasing 87,630 shares for $2,368,000 (1982–2660 shares for $67,000), having a fair market value of $3,186,200 (1982–$85,000).

Other investments			Consolidated		
1981	1982	**1983**	1981	1982	**1983**
					millions of dollars
176	146	**94**	8185	8618	**9027**
—	—	—	—	—	—
176	146	**94**	8185	8618	**9027**
122	51	**3**	2682	2316	**2018**
48	17	**(5)**	2217	2027	**1686**
74	34	**8**	465	289	**332**
916	649	**948**	7096	7486	**8049**
19	8	**95**	1133	1064	**1259**
897	641	**853**	5963	6422	**6790**
5	5	**(1)**	244	219	**235**
96	33	**8**	1107	1134	**699**

17. Property, plant, and equipment

	Cost		Accumulated depreciation and amortization	
	1982	**1983**	1982	**1983**
				millions of dollars
Natural resources				
Exploration and production	2036	**2215**	655	**719**
Heavy oil	730	**827**	88	**108**
Minerals	193	**155**	105	**64**
	2959	**3197**	848	**891**
Petroleum products	2134	**2273**	796	**973**
Chemicals	1016	**1095**	196	**208**
Other	233	**233**	56	**66**
Total property, plant, and equipment	6342	**6798**	1896	**2138**
Less accumulated depreciation and amortization	1896	**2138**		
Net investment	4446	**4660**		

16. Employee retirement plans

The pension plans cover substantially all employees and generally are based on length of service, and on average earnings during the final three years of employment. The plans are funded primarily by the company based on actuarial valuations, the most recent being at Sept. 30, 1983. During 1983, $33 million was charged to earnings (1982–$34 million; 1981–$34 million).

Market value of fund assets of $997 million at Dec. 31, 1983, exceeded the actuarial present value of vested and non-vested earned benefits by $243 million (1982–$89 million; 1981–$142 million). When that actuarial present value is adjusted for future salary escalation, the resulting actuarial liability exceeds the assets by $52 million (1982–$178 million; 1981–$99 million). This will be charged to earnings over a period of up to 15 years.

In computing the actuarial liability for 1983, the assumed rate of return of the plan's investments was increased from six percent used in prior years to seven percent, and the assumed salary escalation rate was increased from 3.5 percent used in prior years to five percent. These changes reduced the actuarial liability by a net of $77 million from what it would have been under the previous assumed rates.

18. Supplemental information (unaudited)

Additional information for security holders is provided on pages 42 to 51.

As the company may wish to use capital markets in the United States, this includes information that conforms with the financial reporting practices in that country. A description of the differences between the accounting principles generally accepted in Canada and the United States as they apply to the company appears on page 43.

Five-year summary
Financial

Consolidated statement of earnings	1979	1980	1981	1982	**1983**
					millions of dollars
Revenues					
Crude oil	–	375	475	559	**760**
Natural gas	156	191	193	208	**185**
Petroleum products	3872	4702	6202	6681	**6868**
Chemicals	673	788	895	794	**897**
Other operating	139	178	233	217	**209**
Interest and investment	66	115	187	159	**108**
Total revenues	4906	6349	8185	8618	**9027**
Expenses					
Exploration	210	253	221	113	**81**
Purchases of crude oil and products	2127	2747	3261	4076	**4735**
Extracting, processing, and manufacturing	652	844	1068	1016	**1056**
Marketing and administration	511	580	643	763	**781**
Interest	56	61	66	115	**121**
Total expenses	3556	4485	5259	6083	**6774**
Revenues net of expenses	1350	1864	2926	2535	**2253**
Depreciation and amortization	132	156	244	219	**235**
Earnings before taxes and levies	1218	1708	2682	2316	**2018**
Taxes and levies	747	1107	2217	2027	**1686**
Earnings from operations	471	601	465	289	**332**
Unusual items	22	81	–	(22)	**(42)**
Net earnings	493	682	465	267	**290**

Financial information by segments	1979	1980	1981	1982	**1983**
					millions of dollars
Revenues					
Natural resources	1031	1201	1255	1426	**1763**
Petroleum products	4163	5058	6647	7166	**7372**
Chemicals	701	850	993	850	**945**
Other investments	58	109	176	146	**94**
Intersegment sales	(1047)	(869)	(886)	(970)	**(1147)**
Total revenues	4906	6349	8185	8618	**9027**
Earnings from operations					
Natural resources	215	184	16	120	**272**
Petroleum products	176	310	330	146	**61**
Chemicals	68	81	45	(11)	**(9)**
Other investments	12	26	74	34	**8**
Total earnings from operations	471	601	465	289	**332**
Capital employed					
Natural resources	1741	2083	2046	2174	**2202**
Petroleum products	1506	1786	2452	2519	**2552**
Chemicals	217	278	568	1088	**1183**
Other investments	287	1141	897	641	**853**
Total capital employed	3751	5288	5963	6422	**6790**
Return on average capital employed					percent
Natural resources	14.1	9.6	0.8	5.7	**12.4**
Petroleum products	11.6	18.8	15.6	5.9	**2.4**
Chemicals	32.9	32.7	10.6	(1.3)	**(0.8)**
Other investments	26.4	7.6	10.5	11.5	**9.5**
Total return on average capital employed	15.2	15.7	8.9	5.2	**5.3**

Percentages and ratios	1979	1980	1981	1982	**1983**
Return on average					
Capital employed (1)	15.2	15.7	8.9	5.2	**5.3**
Shareholders' equity	21.8	21.9	11.9	6.6	**7.0**
Debt as a percentage of					
Capital employed	15.7	10.9	13.1	12.3	**13.4**
Shareholders' equity	24.1	15.2	19.3	19.3	**21.5**
Interest coverage (2)	22.7	20.9	15.9	7.5	**7.5**
Reinvestment percentage (3)	115.0	116.9	180.3	152.8	**105.7**
Current ratio (4)	2.0	3.1	2.8	2.6	**2.3**

(1) The return consists of the average capital employed divided into the sum of the net earnings, the after-tax long-term debt and capitalized leases interest expense.

(2) Interest coverage is the interest expense on long-term liabilities and capitalized leases divided into the sum of consolidated earnings from operations, interest on long-term liabilities and capitalized leases, and consolidated income taxes on earnings from operations.

(3) Total investments in the year divided by net internal funds generated in the year.

(4) Current assets divided by current liabilities.

Net payments to governments	1979	1980	1981	1982	**1983**
					millions of dollars
Taxes and levies					
Income taxes	332	492	474	384	**420**
Revenue taxes	–	–	91	175	**170**
Commodity, property, and other taxes	345	392	518	554	**504**
Levies	70	223	1134	914	**592**
Total taxes and levies	747	1107	2217	2027	**1686**
Add:					
Current taxes on unusual items	24	–	–	(6)	**(15)**
Consumer taxes collected on behalf of governments	403	403	499	618	**608**
Crown royalties	507	513	495	505	**492**
	1681	2023	3211	3144	**2771**
Less deferred income taxes	123	136	130	322	**141**
Total paid or payable to governments	1558	1887	3081	2822	**2630**
Receipts from governments					
Oil-import compensation	251	653	761	422	**149**
Syncrude compensation	48	143	138	117	**86**
Investment tax credits	27	25	58	20	**24**
Incentive programs	10	11	19	10	**8**
Federal government advance for Cold Lake megaproject	–	–	40	–	**–**
Total received or receivable from governments	336	832	1016	569	**267**
Net payments to governments	1222	1055	2065	2253	**2363**

Five-year summary
Financial

Financial statistics	1979	1980	1981	1982	**1983**
					millions of dollars
Capital employed					
Funds	251	955	608	285	**422**
Operating working capital	649	1030	1414	1405	**1258**
Investments and other long-term assets	163	193	203	286	**450**
Property, plant, and equipment, net	2688	3110	3738	4446	**4660**
Total capital employed	3751	5288	5963	6422	**6790**
Sources of capital employed					
Long-term debt and other obligations	611	618	946	1028	**1180**
Deferred income taxes	700	881	975	1291	**1379**
Shareholders' equity	2440	3789	4042	4103	**4231**
Total from sources of capital employed	3751	5288	5963	6422	**6790**
Total assets	4668	6244	7096	7486	**8049**
Net internal funds generated	933	975	854	758	**770**

Capital and exploration expenditures	1979	1980	1981	1982	**1983**
					millions of dollars
Natural resources					
Exploration before incentives	444	398	209	106	**52**
Exploration net of incentives	434	387	190	93	**47**
Production	191	143	90	206	**246**
Heavy oil	62	83	43	42	**102**
Minerals	50	69	132	58	**30**
Total natural resources	737	682	455	399	**425**
Petroleum products					
Marketing	33	35	42	31	**46**
Refining	69	76	187	301	**108**
Total petroleum products	102	111	229	332	**154**
Chemicals	26	50	327	370	**112**
Other investments	14	18	96	33	**8**
Total capital and exploration expenditures	879	861	1107	1134	**699**

Five-year summary
Operating

Wells drilled (1)	1979		1980		1981		1982		**1983**	
	gross	net	gross	net	gross	net	gross	net	gross	net
Western provinces										
Exploratory										
Conventional	163	61	151	50	61	20	36	11	**41**	**18**
Oil sands	27	20	72	40	30	11	75	21	**40**	**12**
Development										
Conventional	267	116	139	58	83	30	34	13	**114**	**56**
Oil sands	21	21	26	26	81	81	29	29	**210**	**210**
Northern areas and Atlantic offshore (2)										
Exploratory	6	3	5	1	4	1	5	1	**9**	**3**
Development	4	3	6	4	1	–	12	8	**30**	**20**
Other provinces										
Exploratory	–	–	–	–	–	–	–	–	**1**	**–**
Total wells drilled										
Exploratory	196	84	228	91	95	32	116	33	**91**	**33**
Development	292	140	171	88	165	111	75	50	**354**	**286**

Land holdings (1)										millions of hectares
Oil and gas										
Western provinces										
Conventional	2.9	1.0	5.3	1.4	5.6	1.4	5.3	1.3	**2.5**	**0.9**
Other	0.7	0.3	0.7	0.3	0.8	0.3	1.0	0.4	**1.0**	**0.4**
Northern areas (2, 3)	13.3	4.2	11.7	4.0	11.4	3.8	9.8	3.9	**10.5**	**3.8**
Atlantic offshore (3)	7.2	5.8	6.1	5.2	5.5	4.8	6.0	4.7	**4.4**	**3.6**
Other provinces (4)	–	–	–	–	1.8	0.2	1.8	0.4	**1.9**	**0.4**
Total oil and gas land holdings	24.1	11.3	23.8	10.9	25.1	10.5	23.9	10.7	**20.3**	**9.1**
Minerals										
Coal	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	**0.5**	**0.5**
Uranium	0.4	0.3	0.3	0.2	0.3	0.2	0.3	0.2	**0.2**	**0.1**
Base metals	0.1	0.1	0.5	0.5	0.3	0.3	0.3	0.3	**0.3**	**0.2**
Total minerals land holdings	0.8	0.7	1.2	1.1	1.1	1.0	1.1	1.0	**1.0**	**0.8**

(1) Gross includes the interests of others; net excludes the interests of others.
One hectare equals about 2.5 acres.

(2) Northern areas–which include the Beaufort Sea/ Mackenzie Delta, Northwest Territories, Yukon Territory and Arctic islands–are often referred to as Canada lands. Atlantic offshore included two exploratory wells in 1979 only.

(3) The company's interests in lands under the jurisdiction of the government of Canada are subject to reduction under the terms of the Canada Oil and Gas Act, including the vesting of 25 percent in the government of Canada.

(4) Seismic options in the province of Quebec.

Five-year summary
Operating

Proved reserves	1979		1980		1981		1982		**1983**	
	gross	net	gross	net	gross	net	gross	net	gross	net
Crude oil and natural-gas liquids (NGL) (millions of m^3) (1)	200	147	198	140	174	124	167	125	**190**	**145**
Natural gas (billions of m^3) (1)	62	42	57	39	53	37	52	38	**50**	**37**
Crude-oil supply and utilization (thousands of m^3/d) (1)										
Crude oil production (1)										
Conventional	33.5	19.3	27.0	15.8	21.0	12.6	18.2	11.6	**16.0**	**10.7**
Cold Lake	1.0	0.9	0.9	0.9	1.4	1.3	1.8	1.7	**2.3**	**2.1**
Syncrude	2.2	2.2	3.2	2.8	3.2	2.7	3.4	2.8	**4.4**	**3.7**
Total crude production	36.7	22.4	31.1	19.5	25.6	16.6	23.4	16.1	**22.7**	**16.5**
Natural-gas liquids (NGL)	4.0	3.0	3.6	2.6	3.2	2.3	2.6	1.8	**2.1**	**1.5**
Total crude oil and NGL production	40.7	25.4	34.7	22.1	28.8	18.9	26.0	17.9	**24.8**	**18.0**
Net purchases from others										
Domestic		31.0		32.6		34.3		28.8		**33.3**
Imported		15.2		16.4		15.1		11.5		**8.8**
Crude oil processed at company refineries		71.6		71.1		68.3		58.2		**60.1**
Refinery capacity at Dec. 31		76.8		76.7		76.7		77.4		**66.2**
Refinery capacity utilization at Dec. 31 (percent)		93		93		89		75		**91**
Natural gas (millions of m^3/d)										
Production (1)	9.8	6.6	8.2	5.6	7.7	5.4	7.3	5.4	**6.9**	**5.2**
Purchased for resale	0.6		0.7		0.8		0.6		**0.6**	
Sales	10.4		8.9		8.5		7.9		**7.5**	
Thermal coal production (thousands of tonnes per day)	–	–	–	–	1.0	0.9	2.8	2.7	**2.8**	**2.7**

(1) Gross reserves and production include only the amount directly owned, produced, and sold by the company before deducting the shares of mineral owners or governments, or both. Net reserves and production are after deducting these shares.

Sales volumes	1979	1980	1981	1982	1983
Petroleum products (thousands of m^3/d)					
Gasolines	28.0	27.8	26.6	25.3	**24.9**
Jet fuels	4.0	4.1	4.6	4.4	**3.9**
Heating fuels	10.8	10.0	8.1	7.7	**7.2**
Diesel fuels	12.8	12.7	13.4	12.4	**12.6**
Heavy fuel oils	7.6	6.5	6.6	5.3	**4.1**
Liquid petroleum gas	5.6	6.3	5.9	5.9	**5.1**
Other products	5.6	4.0	3.8	3.4	**3.6**
Total petroleum products	74.4	71.4	69.0	64.4	**61.4**
Chemicals (thousands of tonnes per day)					
Petrochemicals	2.9	2.9	3.0	2.5	**2.4**
Agricultural chemicals	2.0	1.9	2.1	1.8	**2.6**
Building materials	1.4	1.5	1.3	1.2	**1.3**
Total chemicals	6.3	6.3	6.4	5.5	**6.3**

Employees					
Number at Dec. 31	14 966	16 029	16 314	15 476	**14 732**
Total payroll and benefits (millions of dollars)	487	594	691	814	**825**
Payroll and benefits per employee (dollars)	29 300	33 700	36 900	43 200	**46 500**

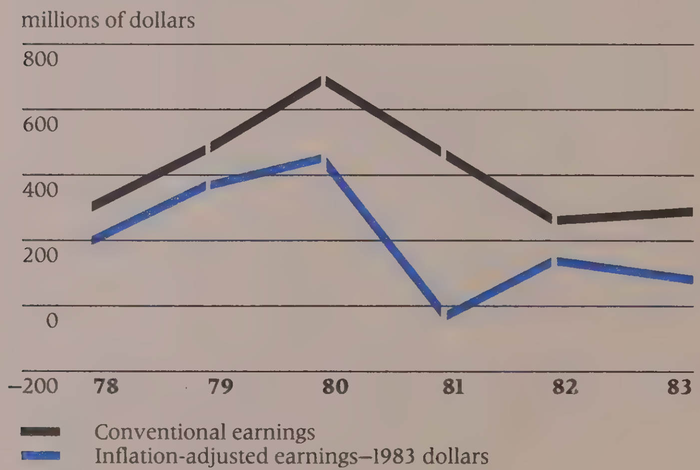
Accounting for the effects of inflation and changing prices

Interpretation of results

Conventional accounting practices reflect financial results in terms of the value of the dollar at the time the underlying transaction occurred, which is known as the ''historical cost'' approach. That approach is the basis for the financial information in published reports. However, that approach does not account for the fact that prices change and the purchasing power of money diminishes during periods of inflation.

In 1982, the Canadian Institute of Chartered Accountants (CICA) introduced its recommendations for ''reporting the effects of changing prices''. The CICA is encouraging experimentation among corporations over the next several years, with the objective of arriving at the best method of reporting the impact of inflation.

The company supports such experimentation with accounting practices that reflect the impact of inflation on reported financial results. The six-year chart below traces the company's net earnings under the established historical cost basis and under the company's inflation-adjusted basis.



An analysis of earnings as determined under conventional historical-cost accounting measurement shows a rise in earnings from 1978 through 1980. That was due to improving market conditions resulting in sales increases and higher margins over this period. Increased inventory profits arising from increases in the price of crude oil, and an $81-million unusual item were included in 1980 earnings. In 1981 and 1982, earnings were lower due to the economic recession and the negative impact of the National Energy Program, which particularly affected natural resource earnings. In 1983, crude oil price increases, successful heavy oil operations, and lower royalty rates caused earnings to improve primarily in the natural resources segment, although other segments' performances were still held back by the recession.

The trend of inflation adjusted earnings is shown in the graph apart from historical earnings. Earnings on this basis were consistently lower from 1978 to 1983 than those determined under conventional accounting methods. Also, the trend from 1978 to 1983 was different from that shown by conventional (historical) earnings. The profit in 1980 was significantly dampened under inflation adjusted results due to the elimination of inventory profits, and in 1981 the negative impact of the economic recession and the National Energy Program was more severe than was apparent from conventional results. Conversely, the 1982 adjusted results showed that the company was recovering–partly as a result of efficiencies and business adjustments to the National Energy Program–which under conventional earnings was not evident until 1983.

The inflation-adjusted earnings provide insight into the performance of the company after stripping away uncontrollable economic factors of inflation and changing prices, leaving earnings that are available to shareholders after providing for the preservation of the company's financial capital.

Comparative results for 1983	Conventional	**Inflation-adjusted** Imperial method
	millions of dollars	
Earnings before taxes and levies	2018	2018
Taxes and levies, other than income taxes	1266	1266
Earnings before income taxes and unusual items	752	752
Less adjustments (1) for:		
Cost of sales	–	**90**
Depreciation and amortization	–	**290**
Earnings before income taxes	752	372
Income taxes: Current	279	279
Deferred	141	**30**
Earnings from operations	332	63
Unusual items	(42)	**18**
Net earnings	290	81

(1) Adjustments have been rounded to the nearest $10 million.

When 1983 earnings are adjusted for the effects of inflation and changing prices, they remain below the figures reported by conventional accounting methods. The difference is attributable to three recurring items: cost of sales, depreciation and amortization, and deferred income taxes. The cost of sales is higher under inflation accounting than it is using the historical method because the replacement cost of products sold is higher. Depreciation and amortization are also higher under inflation-adjusted accounting because they are based on the cost of the company's physical assets in current dollars. (Although there are any number of possible ways of determining how much the value of a company's physical assets has appreciated due to inflation, the company prefers that the revaluation be based on changes in the Consumer Price Index, which is an objective and widely understood mechanism.) Deferred income taxes are lower under inflation accounting because inflation accounting increases the value of assets as they are carried on a company's books, which, in turn, increases the amount of depreciation charged against those assets. The result is a smaller difference between the accounting amount of depreciation and the taxation amount. The company believes this should reduce deferred taxes for purposes of inflation accounting. In addition, gains or losses on the disposal of fixed assets in the unusual item category are eliminated under inflation accounting.

There has been a great deal of debate in recent years about how financial statements can be modified to account for the effects of inflation. The company continues to participate to help evolve accounting practices in this and related accounting areas. The subject of inflation accounting is particularly complex; there is a variety of legitimate points of view, and the debate continues.

The interpretation of results presented above compares financial results under conventional historical-cost accounting with results under a method the company believes adjusts for the effects of inflation and changing prices. The following are the results for 1983 using the somewhat different approach advocated by the CICA.

CICA approach

Under the CICA approach, inflation adjusted 1983 net earnings results in a loss of $182 million—a difference of $263 million relative to the company's method. The difference results from the treatment of depreciation and amortization ($152 million), and deferred taxes ($111 million), under the two methods.

The difference in depreciation and amortization arises from the CICA-recommended valuation of fixed assets using replacement costs required to maintain productive capacity. Given the market volatility, excess refining capacity and rapid technological change that characterize today's petroleum industry, Imperial believes that many companies invest not to replace existing production capacity, but to adapt their businesses to the changing market environment. This business reality leads us to favour the concept of the maintenance of financial capacity, and hence the use of CPI adjusted values, rather than the CICA approach.

The second item contributing to the difference is the impact on deferred taxes of inflation adjusted data, which is not addressed in the CICA approach.

Additional 1983 information (CICA)	millions of dollars
Net assets on a current-dollar basis	
Inventory	1388
Property, plant, and equipment	9488
Net assets (equity)	9060
Other supplemental information	
Total current-cost increase in inventory, property, plant, and equipment	414
General inflation component	479
Decrease in current cost over the effect of general inflation	65
Gain in purchasing power of net monetary items	24

The CICA recommends including a financing adjustment calculated on two bases: on the net monetary position of the company (1983—a profit increase of $23 million); and on current-cost adjustments made to earnings for the year (1983—a profit increase of $25 million). While this item may have theoretical attraction, it is complex and controversial, and therefore the company does not support its inclusion in the inflation-adjusted results.

Supplemental information

Oil and gas exploration and production activities	Oil and gas			Syncrude			Total		
Capitalized costs (a)		1982	**1983**		1982	**1983**		1982	**1983**
								millions of dollars	
Property costs									
Proved		134	**140**		–	–		134	**140**
Unproved		235	**196**		–	–		235	**196**
Producing assets		1375	**1388**		598	**631**		1973	**2019**
Support facilities		126	**131**		–	–		126	**131**
Incomplete construction		298	**554**		–	–		298	**554**
Total capitalized costs		2168	**2409**		598	**631**		2766	**3040**
Accumulated depreciation and amortization		691	**759**		52	**68**		743	**827**
Net capitalized costs		1477	**1650**		546	**563**		2023	**2213**
Costs incurred	1981	1982	**1983**	1981	1982	**1983**	1981	1982	**1983**
								millions of dollars	
Property costs	16	9	**3**	–	–	–	16	9	**3**
Exploration costs	174	85	**44**	–	–	–	174	85	**44**
Development costs	104	227	**310**	29	20	**38**	133	247	**348**
Results of operations									
Sales to customers	717	718	**887**	–	–	–	717	718	**887**
Intersegment sales	152	305	**273**	265	287	**343**	417	592	**616**
Total sales (b)	869	1023	**1160**	265	287	**343**	1134	1310	**1503**
Production expenses (c)	249	249	**245**	181	186	**195**	430	435	**440**
Exploration expenses (c)	169	73	**57**	–	–	–	169	73	**57**
Depreciation and amortization	100	89	**95**	14	15	**19**	114	104	**114**
Petroleum and Gas Revenue Tax	81	135	**152**	10	19	**18**	91	154	**170**
Incremental Oil Revenue Tax	–	21	**–**	–	–	–	–	21	**–**
Income taxes (c)	207	332	**390**	23	30	**45**	230	362	**435**
Results of operations	63	124	**221**	37	37	**66**	100	161	**287**

(a) Property costs are payments for rights to explore for petroleum and natural gas. Proved represents areas where successful drilling has delineated a field capable of production. Unproved represents all other areas. Costs of incomplete construction include drilling and other costs relating to the discovery of commercial oil and gas reserves in the Beaufort Sea/Mackenzie Delta region.

(b) Sales of crude oil to consolidated affiliates are valued at market, using posted field prices. Sales of natural-gas liquids to consolidated affiliates are valued at amounts estimated to represent prices equivalent to those that could be obtained in a competitive, arm's-length market. Total sales exclude the sale of natural gas and natural-gas liquids purchased for resale.

(c) For purposes of this schedule, corporate overhead costs have been excluded. As a result, production expenses, exploration expenses and income taxes for 1981 and 1982 have been restated.

Net reserves of crude oil and natural gas	Conventional and Cold Lake			Syncrude			Total crude oil		
Crude oil	1981	1982	**1983**	1981	1982	**1983**	1981	1982	**1983**
									millions of m³
Net proved developed and undeveloped									
Beginning of year	107.8	93.6	**94.7**	31.7	30.8	**29.8**	139.5	124.4	**124.5**
Revisions of previous estimates and improved recovery	(8.6)	6.4	**2.2**	0.1	–	–	(8.5)	6.4	**2.2**
Sale of reserves in place	–	–	–	–	–	–	–	–	–
Discoveries and extensions	0.3	0.2	**24.8**	–	–	–	0.3	0.2	**24.8**
Production	(5.9)	(5.5)	**(5.3)**	(1.0)	(1.0)	**(1.3)**	(6.9)	(6.5)	**(6.6)**
End of year	93.6	94.7	**116.4**	30.8	29.8	**28.5**	124.4	124.5	**144.9**
Net proved developed									
Beginning of year	85.7	73.5	**82.4**	31.7	30.8	**29.8**	117.4	104.3	**112.2**
End of year	73.5	82.4	**81.0**	30.8	29.8	**28.5**	104.3	112.2	**109.5**

Natural gas	1981	1982	**1983**
			billions of m³
Net proved developed and undeveloped			
Beginning of year	38.5	36.6	**38.2**
Revisions of previous estimates and improved recovery	(0.2)	2.6	**0.1**
Sale of reserves in place	–	–	–
Discoveries and extensions	0.3	1.0	**0.4**
Production	(2.0)	(2.0)	**(1.9)**
End of year	36.6	38.2	**36.8**
Net proved developed			
Beginning of year	31.1	28.9	**30.8**
End of year	28.9	30.8	**31.9**

All reported reserves of crude oil and natural gas are located in Canada. Reserves of crude oil include condensate and natural-gas liquids. With the exception of the reserves of Cold Lake and Syncrude, all reserve estimates are determined by analysis of geological and engineering data, which has demonstrated with reasonable certainty that they are recoverable from known oil and gas fields under economic and operating conditions at Dec. 31 of each year. The calculation of reserves of crude oil at Syncrude is based on the company's participating interest in the production permit granted by the province of Alberta. Reserves of crude oil at Cold Lake are those reserves estimated to be recoverable from the existing experimental pilot plants and phases I and II of the Cold Lake commercial project.

The calculated net reserves of conventional crude oil, oil from Cold Lake pilots, and natural gas are determined by deducting the mineral owners' or governments' share or both and are calculated at the year's average royalty rate. Net proved reserves have

been increased to reflect reductions in the royalty rate announced by the government of Alberta in 1982. Net reserves of Syncrude and phases I and II of the Cold Lake commercial project are based on an estimate of the average royalty rate over the project life, using pricing established by the agreement of Sept. 1, 1981, and as amended on June 30, 1983, between the government of Canada and the province of Alberta on the pricing and taxation of Canadian oil and gas until Dec. 31, 1986. This royalty rate may vary with production, prices and cost.

Reserves related to phases I and II of the Cold Lake commercial project have been recognized as proved undeveloped. The amount added was 24.1 million cubic metres.

Reserves data do not include reserves of crude oil and natural gas discovered in the Beaufort Sea/ Mackenzie Delta and the Arctic islands, nor the reserves contained in the oil sands other than those attributable to Syncrude, the Cold Lake pilot area and phases I and II of the Cold Lake commercial project.

Natural-gas reserves are calculated at a pressure of 101.325 kPa at 15°C.

Oil and gas producing activities

Present value of estimated future net cash flows discounted at 10 percent	1981	1982	1983
		millions of dollars	
Future cash flows	13 780	16 985	**24 928**
Future production and development costs	(5072)	(5858)	**(8042)**
Future Petroleum and Gas Revenue Tax	(1279)	(2011)	**(2995)**
Future income taxes	(4751)	(5461)	**(7712)**
Future net cash flows	2678	3655	**6179**
Discount of 10 percent for estimated timing of cash flows	(1854)	(2318)	**(3867)**
Discounted future net cash flows	824	1337	**2312**

The company does not agree that the calculation of the present value of future net cash flows from estimated production of proved reserves necessarily represents future cash flows or the fair market value of conventional oil and gas properties. The valuation does not include the value of exploratory properties and probable reserves and does not provide for the deduction of exploration expenses, amortization of land acquisition cost and depreciation of capitalized producing assets. Neither does it include anticipated future price changes for oil and gas and anticipated increases of development and production costs. The valuation excludes the company's activities related to extraction of upgraded crude oil from Syncrude. In the company's opinion, the method of calculating the data is not reliable and the values may not provide a basis for meaningful analysis. Imperial cautions readers about its use.

Estimated discounted future net cash flows are computed by applying the prices on Dec. 31 of crude oil, including condensate and natural-gas liquids, and natural gas to the estimated future production of proved oil and gas reserves, less the estimated future production and development costs.

Estimated future income taxes are computed by applying the current statutory income-tax rates to the estimated taxable income for each year. Taxable income is based on estimated future net revenues adjusted to take into account differences from standard accounting practices permitted under income-tax regulations in effect at the end of the year. The Petroleum and Gas Revenue Tax is calculated by applying the statutory rate as at Dec. 31.

Summary of changes in present value of estimated future net cash flows	1981	1982	1983
		millions of dollars	
Balance at beginning of year	1386	824	**1337**
Changes resulting from:			
Sales and transfers of oil and gas produced, net of production costs	(663)	(779)	**(864)**
Net changes in prices, development costs, and production costs (a)	491	834	**1864**
Extensions, discoveries, additions, and improved recovery, less related costs (b)	26	14	**364**
Development costs incurred during the period	102	223	**309**
Revisions of previous quantity estimates (c)	(362)	423	**47**
Accretion of discount (d)	356	316	**453**
Net change in Petroleum and Gas Revenue Tax (e)	(564)	(313)	**(365)**
Net change in income taxes (f)	(458)	(275)	**(801)**
Change in production pattern (g)	510	70	**(32)**
Net change	(562)	513	**975**
Balance at end of year	824	1337	**2312**

(a) Net changes in prices and costs contributed $1864 million in 1983. This reflects the increase in prices for crude oil, natural gas and natural-gas liquids during each year, less related increases in development and production costs.

(b) Increases in proved reserves resulting from extensions, discoveries, additions, and improved recovery contributed $364 million in 1983, primarily due to phases I and II of the Cold Lake commercial project. This represents the present value of estimated future net revenues less estimated future development and production costs.

(c) An upward revision of proved reserves determined in prior years resulted in an increase of $47 million in 1983. The primary cause for the 1982 increase was the reduction in the royalty rate announced by the government of Alberta.

(d) Accretion of discount, amounting to $453 million in 1983, is due to an increase in the estimated present value because realization of future net cash flows is one year sooner.

(e) The net change in the Petroleum and Gas Revenue Tax resulted in a reduction of $365 million in 1983. At Dec. 31, 1983, the tax was 12 percent of income from net operating revenue related to production of oil and gas, as specified in the National Energy Program. Accordingly, this charge is considered a production tax and is shown as a reduction of net revenues.

(f) The net change in income taxes is computed by applying current statutory tax rates to the estimated present value of future taxable income to be generated from proved reserves producing as of the end of the year and deducting the amount similarly computed as of the beginning of the year. This resulted in a reduction of $801 million in 1983.

(g) Changes in production patterns result primarily from revisions to the timing of future production.

Supplemental information

Shareholder and investor information

Share ownership, trading, and performance	1979	1980	1981	1982	**1983**
Share ownership, Class A and B					
Average number outstanding, weighted monthly (thousands)	130 421	144 880	157 034	157 328	**158 472**
Number of shares outstanding at Dec. 31 (thousands)	130 646	156 932	157 182	157 760	**159 590**
Shares held in Canada at Dec. 31 (percent)	22.3	21.4	24.3	26.0	**26.8**
Number of shareholders at Dec. 31					
Total shareholders	44 188	48 442	46 849	44 691	**41 571**
Registered in Canada	38 149	41 064	40 669	39 289	**36 926**
Shares traded, Class A (thousands)	24 839	43 441	22 498	21 187	**19 516**
Share prices, Class A					dollars
High	46¼	57½	38¼	33¼	**41¼**
Low	24⅞	30⅜	24½	19⅝	**26½**
Close at Dec. 31	44¼	32⅞	25½	28¾	**37⅛**
Earnings per share					
Earnings from operations	3.61	4.15	2.96	1.84	**2.09**
Net earnings	3.78	4.71	2.96	1.70	**1.83**
Return on average shareholders' equity	21.8	21.9	11.9	6.6	**7.0**
Price/earnings ratio, Class A at Dec. 31	11.7	7.0	8.6	16.9	**20.3**
Dividends					
Total paid (millions of dollars)	150	201	220	220	**222**
Per share (dollars)					
Cash	1.15	1.40	1.40	1.40	**1.40**
Stock	0.90	1.40	1.40	1.40	**1.40**
As a percentage of net earnings	30	30	47	82	**77**

General summary of tax consequences affecting foreign security holders

Cash dividends paid to shareholders resident outside Canada in the United States, the United Kingdom, France, Switzerland, and most countries with which Canada has an income-tax convention are usually subject to Canadian non-resident withholding tax of 15 percent. Class B stock dividends paid to non-resident holders of Class B shares are usually not subject to Canadian non-resident withholding tax unless more than 10 percent of the Class B shares are owned by the shareholder alone or together with other related persons.

There is no Canadian tax on gains from selling shares or debt instruments owned by non-residents not carrying on business in Canada.

Interest paid to non-residents with whom the company deals at arm's length on the company's outstanding debentures issued before June 24, 1975, is subject to withholding tax. Interest paid on issues subsequent to that date is not subject to withholding tax.

No estate taxes or succession duties are imposed by the government of Canada or provincial governments except the province of Quebec. In the province of Quebec, no succession duties are payable if the company's securities are physically situated outside that province and the person to whom they are transmitted is domiciled and resident outside that province.

Shareholders	Shareholders of record at Dec. 31, 1983	Registered (percent) Canada	Foreign	Total
Class A	40 593	89	11	100
Class B	1 255	85	15	100

Shareholder and investor information

Quarterly financial and stock-trading data

	1982 three months ended				1983 three months ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
								millions of dollars
Operating revenues	1955	2084	2184	2236	**1947**	**2174**	**2374**	**2424**
Investment and other income	44	40	38	37	**25**	**25**	**30**	**28**
Total revenues	1999	2124	2222	2273	**1972**	**2199**	**2404**	**2452**
Expenses, including taxes and levies	1940	2052	2133	2204	**1911**	**2127**	**2311**	**2346**
Earnings from operations	59	72	89	69	**61**	**72**	**93**	**106**
Unusual items	–	18	–	(40)	**(70)**	**(6)**	**–**	**34**
Net earnings	59	90	89	29	**(9)**	**66**	**93**	**140**
Per-share information								dollars
Earnings from operations	0.38	0.45	0.57	0.44	**0.39**	**0.45**	**0.59**	**0.66**
Net earnings	0.38	0.57	0.57	0.18	**(0.06)**	**0.42**	**0.59**	**0.88**
Dividends (declared quarterly)	0.35	0.35	0.35	0.35	**0.35**	**0.35**	**0.35**	**0.35**
Toronto Stock Exchange share prices (a)								
High	26	25¾	30⅛	33¼	**31⅞**	**37½**	**41¼**	**39¼**
Low	19⅝	20¾	22⅜	25¾	**26½**	**29⅛**	**35⅞**	**33⅞**
Close	21	23	27¾	28¾	**29**	**35⅞**	**38½**	**37⅛**
American Stock Exchange share prices ($U.S.) (a)								
High	21¾	20½	24½	27	**25¾**	**30⅜**	**33⅜**	**31½**
Low	16⅛	16⅞	17⅜	21	**21½**	**23½**	**29⅛**	**27½**
Close	17⅛	17⅞	22½	23¼	**23⅝**	**29⅛**	**31⅜**	**29¾**
Shares traded (thousands)	5304	4506	5378	5999	**4170**	**6103**	**4890**	**4443**

(a) The share prices were obtained from the records of the stock exchanges.

Imperial Oil stock is listed on the Montreal, Toronto, and Vancouver stock exchanges and is admitted to unlisted trading on the American Stock Exchange. The high and low Toronto Stock Exchange and American Stock Exchange prices for Class A shares and the number of shares traded on all the above exchanges are shown. The Class B shares generally trade at the same price as Class A shares.

The average number of outstanding shares included in the calculation of earnings per share is weighted on a monthly basis. As a result, the sum of the quarterly earnings per share does not necessarily equal the yearly earnings per share.

Dividend Reinvestment and Share Purchase Plan

In October 1982 the company introduced its Dividend Reinvestment and Share Purchase Plan. The plan enables shareholders to reinvest their cash dividends in additional Class A shares at five percent less than an average market price. Shareholders may also invest between $50 and $5000 per calendar quarter in additional Class A or Class B shares at an average market price, without paying brokerage or other fees.

Directors, officers, and principal operating management

as at Dec. 31, 1983

Directors

J. B. Buchanan
P. Des Marais II
A. R. Haynes
M. Kovitz
W. A. Macdonald, Q.C.
D. K. McIvor
T. H. Thomson
W. J. Young

Officers

D. K. McIvor
Chairman of the board and chief executive officer
A. R. Haynes
President and chief operating officer
T. H. Thomson
Senior vice-president
W. J. Young
Senior vice-president
W. E. Beacom
Vice-president and comptroller
H. G. Jarvis
Vice-president and treasurer
G. A. Rogers, Q.C.
Vice-president and general counsel
R. J. Michaelides
General secretary

Principal operating management

Esso Resources Canada Limited
R. B. Peterson
President and chief executive officer
D. D. Lougheed
Executive vice-president

Esso Petroleum Canada
G. H. Thomson
President

Esso Chemical Canada
J. E. Akitt
President

Board of directors

The board meets monthly to consider and act on matters of significance to the corporation. These include financial and social performance, investment decisions, strategic plans, corporate policies, and other matters on which the board is legally required to act. In 1983, attendance at board meetings averaged 94 percent. The board has eight members; four are employees of the company and four have their principal employment outside Imperial. Here is a short biography of each of the non-employee directors.

Mr. Buchanan is vice-chairman of British Columbia Packers Limited, a fishing and food processing company. He is chairman of the Fisheries Council of Canada, a director of the Fisheries Association of British Columbia, and is associated with a number of other business, community and health related organizations.

Mr. Des Marais is president of Pierre Des Marais Inc., a large printing and lithography firm. He is chairman of the executive committee of the Montreal Urban Community, and has held senior positions with various business, community and educational organizations. Mr. Des Marais also holds a number of other corporate directorships and is a former mayor of the City of Outremont.

Mrs. Kovitz is president of Murko Investments Ltd., a private holding company. She is a member of the Order of Canada, Chancellor Emeritus of the University of Calgary and holds a number of corporate directorships. Mrs. Kovitz has been actively associated with numerous community, health and educational organizations and is a member of the executive of the board of directors, Canadian Council of Christians and Jews, Western Region, and a director of the Council for Canadian Unity.

Mr. Macdonald is a partner with the firm of McMillan, Binch, barristers and solicitors. He is a recognized authority in the field of taxation, government-business relations and other public policy, and serves on advisory committees of the Ontario provincial government, and the C. D. Howe Institute Policy Analysis Committee. Mr. Macdonald is also a director of other corporations, as well as a number of organizations concerned with health, culture and the arts.

Board committees

Meetings of board committees are usually scheduled following board meetings. Attendance at all board committee meetings in 1983 averaged 95.7 percent.

Audit committee

W. A. Macdonald, Q.C., *chairman*

The committee, composed of the four outside directors and Mr. Haynes, reviews the company's financial statements, accounting practices, and business and financial controls. It also recommends the appointment of auditors and reviews their fees. The shareholders' auditors, Price Waterhouse, attend and participate in all meetings. It meets a minimum of six times a year.

Board compensation committee

P. Des Marais II, *chairman*

The committee, composed of the four outside directors and Mr. McIvor, is responsible for decisions on the compensation of senior management above the level of vice-president. It also reviews policy on corporate compensation and the process by which future managers of the company are identified and selected. It meets at least twice a year.

Contributions committee

M. Kovitz, *chairman*

The company's contribution program is aimed at enhancing the quality of Canadian life through support for education, health, welfare, community services, sports, and culture. The committee, composed of the four outside directors and Mr. Thomson, examines policies and programs related to the contribution program and recommends an annual budget for adoption by the board of directors. It meets at least twice a year.

Nominations committee

D. K. McIvor, *chairman*

The committee, composed of the four outside directors and Mr. McIvor, recommends to the board of directors the slate of director candidates to be proposed for election to the board by the shareholders at the annual meeting. It also recommends criteria for the selection and tenure of directors, candidates for board membership, and the successor to the chief executive officer when vacancies are anticipated. It meets at least once a year.

Subsidiaries and principal investments

Subsidiary companies (a)

W. H. Adam, Ltée, Ltd.
Atlas Supply Company of Canada Limited
Building Products of Canada Limited
Byron Creek Collieries (1983) Limited
Byron Creek Collieries Limited
Canada Wide Mines Ltd.
Champlain Oil Products Limited
Delta Rope & Twine Limited
Devon Estates Limited
86129 Canada Ltd.
E S F Limited
Esso of Canada Limited
Esso Resources Canada Limited
446259 Ontario Limited
The Imperial Pipe Line Company, Limited
Maple Leaf Petroleum Limited
Mongeau & Robert Cie Ltée
95269 Canada Limited
Nisku Products Pipe Line Company Limited
Northwest Company, Limited
107580 Canada Inc.
Renown Building Materials Limited
Les Restaurants Le Voyageur Inc.
Servacar Ltd.
305120 Alberta Ltd.
Winnipeg Pipe Line Company Limited

(a) See page 28, ''Principles of consolidation.''

Principal investments in other companies, not consolidated (b)

	Percentage of ownership
Alberta Products Pipe Line Ltd.	30.0
Interprovincial Pipe Line Limited	21.8
Montreal Pipe Line Limited	32.0
Moraine Properties Ltd.	50.0
Rainbow Pipe Line Company, Ltd.	33.3
Tecumseh Gas Storage Limited	50.0
Williamsport Properties Limited	50.0

(b) See page 28, ''Investments.''

Annual meeting

The annual meeting of shareholders will be held at 11:00 a.m., Tuesday, April 24, 1984, in the Canadian Room, Royal York Hotel, Toronto.

Investor inquiries

Investors may obtain information to assist them in evaluating the company's operating performance and projects, including the annual report incorporated in Form 10-K filed with the United States Securities and Exchange Commission, from the Investor Relations Manager, Imperial Oil Limited, at 111 St. Clair Avenue West, Toronto, Canada M5W 1K3. Telephone (416) 968-5359.

Changes of address or inquiries about shares and dividends should be sent to Investor Relations, at 111 St. Clair Avenue West, Toronto, Canada M5W 1K3.
Telephone (416) 968-5076.

Les rapports de la Compagnie Pétrolière Impériale Ltée aux actionnaires sont publiés en français. Veuillez écrire à la division des Relations avec les investisseurs, Compagnie Pétrolière Impériale Ltée, 111 avenue St. Clair ouest, Toronto, Canada M5W 1K3.

Transfer offices

Shares of Imperial Oil Limited may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary, and Vancouver; and Morgan Guaranty Trust Company of New York.

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Volumes are reported in metric units. One cubic metre (m^3) is equal to approximately 6.3 barrels or 35.3 cubic feet.

The terms company, Imperial Oil, and Imperial as used in this report refer not only to Imperial Oil Limited but collectively to all of its subsidiary companies or divisions or to any one or more of them, according to the contexts in which the terms appear.

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Imperial Oil strives for excellence in all its activities. By competing aggressively but fairly, seeking new opportunities, providing quality and value in its products and services, and responding to community needs, the company serves its customers, shareholders and employees and contributes to Canada's economic growth.